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Montana
Fiscal Affairs Study

Prepared for
Interim Committee on Fiscal Affairs
July 1, 1969 to June 30, 1970

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Bureau of Business and Economic Research
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Missoula, Montana

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LETTER OF TRANSMITTAL

June 30, 1970

Governor Forrest H. Anderson, Chairman
Interim Committee on Fiscal Affairs
Helena, Montana 59601

I am hereby transmitting to you the Montana Fiscal Affairs Study. The study was a research project of the Bureau of Business and Economic Research of the University of Montana under the administrative supervision of the Dean of the School of Business Administration. Research facilities for the staff were provided by the Bureau of Business and Economic Research. The study was financed by a direct appropriation of the 1969 Legislative Assembly to the Bureau.

The study has been designed to be of direct use by the Interim Committee and others interested in state and local finance in Montana. It is our hope that you and others find it helpful in solving Montana's fiscal problems.

The staff wishes to call to your attention the fact that many government officials have given invaluable assistance without which the study could not have been done. Notable among those providing special assistance during the study are Mr. Vernon B. Miller and Mr. Howard O. Vralsted and members of the State Board of Equalization. Budget Director, Keith L. Colbo, and his staff were of much assistance in securing data and clarifying state financial procedures. Mr. Howard T. Buswell, Assistant State Engineer of the Highway Commission, was helpful in identifying for us the relevant matters concerning federal highway aid during the next five years. Mr. Theodore Carkulis, Administrator of the Department of Welfare, gave assistance in identifying factors important in public welfare expenditure projections. Mr. John Campbell and Mr. Wilford R. Glasscock of the Department of Public Instruction were helpful in providing school enrollment and financial data. We made significant use of the data processing facilities and services and wish to thank Mr. Troy McGee and his staff for their efforts to facilitate the project. The list of those who assisted in a variety of ways is long. Failure to mention every one who made a contribution should not be construed as a lack of recognition of the importance of their assistance.

Respectfully submitted,

W. D. Diehl

W. D. Diehl, Director
Montana Fiscal Affairs Study

PREFACE

The 1969 Legislative Assembly enacted Extraordinary Session House Bill No. 8,

> "An act to appropriate $78,200 from the general fund for the biennium beginning July 1, 1969, to the Bureau of Business and Economic Research to perform a study of fiscal problems as they affect local government, and the state of Montana; and further to create an Interim Committee on Fiscal Affairs to direct, advise and counsel the Bureau in the performance of this study."

The Bureau and the Committee operated under several agreements not contemplated in the 1969 Extraordinary Session Laws, Chapter 2. At the time of the appropriation of $78,200, the nature and extent of the study desired by the Governor and the Committee was not completely clear. When the content of the study became apparent according to mutual agreement between the Bureau and the Committee, additional funds in the amount of $25,000 were approved by the Committee with full endorsement of the Governor via a letter to the staff director on June 17, 1969. Only a portion of the $25,000 was actually used. On June 18, 1969, at the second meeting of the Interim Committee, the content of an outline of the study was discussed and approved by the Committee.

The second item of agreement between the Bureau and the Committee concerns the completion date. Because of the complexity of fiscal matters, and because other legislative committees had been constituted to consider tax matters, the Committee felt that every effort should be made to complete the study prior to the summer of 1970. In spite of the implication in the law that the study could run during the entire 1969-71 biennium, the staff was urged to organize itself for the earliest possible completion date. From the inception of the study every effort was made by the staff to meet that deadline. In January 1970, it became apparent that the work anticipated by the approved outline could be completed by June 30, 1970. With endorsement of the Committee and a request by the Bureau, $8,145 in excess of the appropriated $78,200 was approved for the study by Governor Anderson to facilitate completion of the work anticipated by June 30, 1970. The details of this matter are outlined very carefully in the "Statement to Accompany Budget Amendment Request" which was approved by the Governor. It should be emphasized that this study was prepared for the Interim Committee on Fiscal Affairs at their direction, advice, and counsel. The study should therefore not be expected to meet the needs of each and every person or group for data and analysis.

The Montana Fiscal Affairs Study has been designed to comply with the provisions in Chapter No. Ex. 2, Extraordinary Session House Bill No. 8. Section 3 as follows:

> The study is concerned "with the fiscal problems of local government and state government in Montana."
>
> The study provides "factual and analytical material that clarifies what the Montana fiscal system is and the fiscal problems faced."
>
> The study contains "useful data and analytical material upon which legislators and the governor and other political leaders can base their fiscal planning."
>
> State revenue and state expenditures have been analyzed in detail in Chapter 4. This research was called for in Section 3(a) and 3(c) of the law.
>
> Local revenue and local expenditures have been analyzed in detail in Chapter 5. This research was called for in Section 3(b) and 3(d) of the law.
>
> Projections of revenue and expenditures have been done in Chapter 6. This research was called for in Section 3(e).
>
> A survey of government revenue and expenditure in Montana and federal-state-local fiscal inter-relationships has been done in Chapters 1 and 3. This research is implied in Section 3(1) of the law.
>
> Studies of the major elements of federal, state, and local taxes in the United States and Montana have been done in Part III of the study containing chapters on the individual income tax, the property tax, business taxation, sumptuary taxes, and highway user taxes. Chapters on retail sales taxes, value-added taxes, and gross receipts taxes were included at the request of the Committee because these taxes are used in other states. The burden of taxes on individuals and household units was studied in Chapter 7 of the study. This research was called for in Section 3(2) of the law.

The text of the study may seem rather tight and terse to some who read it. In fact it may seem incomplete in the sense that rather obvious conclusions are not specifically drawn. The discussion centers close to the data and analytical material and does not extend beyond conclusions readily apparent from the factual and analytical material. There are no conclusions of an overall nature in the study. This characteristic of the study arises because of our effort to meet rather close interpretations of the specifications of the law. The law specifies that it is not the duty of the staff to provide recommendations. Consequently, we did not include anything which may be construed as a recommendation. We have confined the staff work to providing factual and analytical material.

The staff would like to thank the Committee for its patience in reviewing the material as it was completed during the year. The knowledge and insight of committee members, we think, substantially altered and improved the nature and extent of the study. Because of their contributions, the study will be of considerably more use to legislators and others. In particular, guidance of the Committee kept the study oriented toward questions of concern by legislators. This orientation led to analytical treatment of fiscal problems of immediate interest and problems of a longer-run nature.

Although this study was a joint effort of the entire staff, special recognition must be given to Dennis Burr and Edward Schrems. Both Dennis and Ed contributed an immense amount of productive work on this study. The study could not have been executed without their outstanding abilities and unstinting assistance. They have been utterly indispensable in carrying out this study. Lorne Sivertson should be commended for his excellent contribution to the study. Anderson and ZurMuehlen, who consulted with the staff on business taxation, made a fine contribution to the study as well. They provided an immense amount of data on business taxation with interpretations on how such taxes work in practice.

Several of my colleagues at the University of Montana provided a considerable amount of advice and counsel throughout the study. Professors Richard Shannon and Vernon Sletten read and provided comments on working drafts of all chapters and participated in staff discussions concerning many of the issues addressed in the study. Both of them should be given special recognition because they gave unselfishly of their time without special compensation.

Without the excellent data on mill levies, valuations and budgets of local governments provided by the Montana Taxpayers' Association, the property tax chapter could not have been done in a meaningful way. The data on property taxation which has been compiled for many years by the Taxpayers' Association is invaluable and the organization should be recognized for the fine public service it is performing in this respect. S. Keith Anderson was extremely helpful in making a considerable amount of unpublished data available for the study.

Mrs. Amy Ushijima must be commended for the excellent job of typing the text and tables of this study. The amount of typing was overwhelming and Mrs. Ushijima persisted throughout the year in surprising us with the large amount and high quality typing she had accomplished. Mrs. Sandy Gaub assisted with the demanding job of typing the manuscript. Mrs. Sheryl Wisely, administrative secretary in the Bureau, provided overall clerical supervision of the clerical work on the study.

President Pantzer and Dean Goode were responsible for arrangements allowing me to devote full time to the study. Such arrangements and others facilitated involvement of the University in this important aspect of state and local government in Montana. I am sure that such sharing of resources substantially reduces duplication, waste, and the ultimate cost of government. Their willingness to cooperate in this effort is an expression of their concern that the University should stand ready to assist whenever it can.

It has been a pleasure for me to have had the opportunity to direct the staff work on the study and to work for the Interim Committee on Fiscal Affairs. Although I had been directly concerned with Montana fiscal problems for nearly five years prior to this study, it has afforded me an opportunity to gain much more detailed knowledge of Montana's fiscal system and a broader perspective. It has truly been an honor for me to work with such a knowledgeable and experienced Committee.

Although there were numerous contributions made by the staff and others, the final responsibility for facts and analysis in this study rests with the Director.

William D. Diehl, Director
Montana Fiscal Affairs Study
July 1, 1969 to June 30, 1970

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PART I

A BROAD VIEW OF FEDERAL, STATE, AND LOCAL FINANCE IN THE UNITED STATES AND IN MONTANA

Chapter 1 Survey of Federal, State, and Local Government Activity in the United States

Chapter 2 Economic Background of Montana's Fiscal Situation

Chapter 3 State and Local Finance in Montana

Chapter 4 State Finance in Montana

Chapter 5 Local Government Finance in Montana

CHAPTER 1 SURVEY OF FEDERAL, STATE, AND LOCAL GOVERNMENT ACTIVITY IN THE UNITED STATES

CHAPTER 1

SURVEY OF FEDERAL, STATE, AND LOCAL GOVERNMENT ACTIVITY IN THE UNITED STATES

Introduction

Over the years, few subjects have generated more contention, emotion, and honest conviction than the nature and level of public expenditure and taxes. One theme has been based on the supposed harmful effects of increased spending on the health of the country. Claims have been made that more spending will lead to ruinous inflation, stunted economic growth, bankruptcy, depression, and various other ills. These claims have been supplemented by the charge that government spending is fueling the fires of creeping socialism. The implication of these charges is that if we are to meet the needs of national security, a decent education for our children, and other requirements of good society, we are bound to suffer great economic and social damage and even national collapse.

Another view holds it paradoxical that the United States should be faced with such a painful dilemma because it is a country of unmatched material wealth, and it is truly an "affluent society." Those holding this view urge even more government spending at all levels of government, under the presumption that the public sector is starving for funds to meet the needs of the body politic.

Out of these arguments emerge questions of what level of government spending is tolerable; what can we afford to do through the public sector; and what should we afford for the carrying on of public activities?

Answers to these questions are much beyond the scope of the Montana Fiscal Affairs Study. In fact, it is doubtful that the answers can be resolved by recourse to fact or logic. The answers must be sensitive to values people hold about the distribution of material resources in the economy and values about the existing social and political institutions in the United States. Accordingly, this survey of government activity in the United States is concerned with what is and was, rather than with what should be or should have been. We have limited our concern to: (1) the relationship of what is paid to governments and of what governments spend to what is earned, produced, and spent in the entire United States economy; (2) what governments spend their money on, and which governments spend how much money; and (3) a comparison of all types of measures over time. Out of this survey will emerge a broad perspective of government activity in the United States which may serve to dispel some of the myths about government activity and to provide background for discussion of federal, state, and local fiscal policy in general, and more importantly, Montana fiscal policy.

The Rate of Federal, State, and Local Spending

Government expenditure in the United States has grown in both absolute size and in relation to the level of economic activity during the past sixty years. Total government spending has nearly doubled every decade since the beginning of the twentieth century, reaching $282.6 billion in fiscal 1968. Government spending has also become a larger part of total economic activity, increasing from about 8 percent of Gross National Product (GNP) in 1902 to almost one-third of GNP in 1968. The greatest single increase in expenditure in relation to the size of the economy occurred during the depression, primarily because of the collapse of the economy.

However, government spending in relation to GNP was less in 1968 (32.6 percent) than it was in 1946 (27.8 percent), immediately after World War II. Total direct government spending has remained a fairly stable percent of GNP throughout the 1950s and 1960s even though the dollar amount has grown over five times from 1948 to 1968.

The experience of the past twenty years suggests that government expenditure can grow tremendously in absolute size without diverting larger and larger proportions of income out of the private sector. Thus, with a high level of economic growth, the absolute level of spending can rise without concern about the size of the public sector in relation to the private sector.

The Roles of the Three Levels of Government

The federal system of the United States has been challenged in a number of respects during the last decade. The rise in federal government activity in pursuit of social and economic goals has been attributed by many to the inadequacy of state and local governments to cope with the problems of mushrooming cities and the failure to institute programs to fulfill basic national goals. This growth at the federal level has been viewed as centralization of power in Washington with the implication that traditional state and local functions and prerogatives have been usurped by such federal fiscal dominance.

Table 1.2 was prepared to shed some light on the change in importance of spending by each of the three levels of government during the period from 1902 to 1968.

Total direct government expenditure of all three levels of government have grown rapidly since 1902. The compound annual growth rates are 8.9 percent for the federal government, 9.1 percent for state governments, and 6.7 percent for local governments. The average annual compound growth

TABLE 1.1

Total Direct Expenditure of Government and Total Direct Expenditure as Percent of Gross National Product Selected Years 1902 to 1968

Year	Total Direct Government Expenditure[1]	GNP[2]	Expenditure/GNP
	Current Prices (Millions)	Current Prices (Billions)	
1902	1,660	21.6	7.7
1927	11,220	96.3	11.6
1932	12,437	58.5	21.3
1940	20,417	100.6	20.3
1942	45,576	159.1	28.6
1946	79,707	210.7	37.8
1948	55,081	259.4	21.2
1952	99,847	347.0	28.8
1958	134,931	444.5	30.4
1964	196,431	632.4	31.1
1965	205,550	684.9	30.0
1966	224,813	749.9	30.0
1967	258,496	793.5	32.6
1968	282,645	865.7	32.6

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances in 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

1. Total direct government expenditure excludes intergovernmental expenditure and includes general expenditure, utility and liquor store expenditure, and insurance trust expenditure. General expenditure includes national defense interest on general debt and other functional expenditures such as health, education, welfare, highways, and others.

2. Gross National Product is an overall measure of economic activity in the economy. Fiscal data in fiscal years; GNP is in calendar-year term.

rate for total government direct expenditure during the sixty-six year period was 8.0 percent. The most striking information in Table 1.2 is the stability of shares of the three levels of government during the last decade--58 percent federal, 15 percent state, and 27 percent local. It is also interesting to note that in 1902 local government direct expenditure constituted 58 percent of the total of all three levels of government, whereas in 1968 the federal share was 59 percent. Although the federal share in 1968 was the same as the local share in 1902, the local share in 1968 was not as high as the federal share in 1902. The state's share doubled during the sixty-six year period from 8 percent in 1902 to 16 percent in 1968.

From the point of view of direct government expenditure, there seems to have been substantial centralization of government activity. The federal share from 1902 to 1968 increased 25 percentage points, whereas the local share decreased by one-third--of course, the state picked up a share (8 percent) equal to the difference between the increase in the federal share and the loss in the local share during the period. However, since direct federal expenditure includes national defense and defense related expenditure, Table 1.2 cannot answer questions about the traditional roles played by the three levels of government in civilian functions, such as, health, education, welfare, highways, resource development, and others.

When defense and defense related expenditure is subtracted from direct federal expenditure, a somewhat different picture emerges although the general tendency toward centralization is still present if the entire sixty-six year period is considered.

In only one year of the years included does the federal share in direct civilian expenditure exceed 50 percent--in 1946 the federal share was 52 percent of total civilian expenditure.

A striking feature of direct civilian expenditure shares is the relative stability they have from 1948 to 1968. Recall from Table 1.2 that the federal share exceeded 50 percent from 1940 to 1968. When defense spending is removed the combined state-local shares are above 50 percent (see Table 1.3). From 1964 through 1968 the federal share remained 42 percent of the total. It is also interesting to note that following World War II, the federal share in direct civilian expenditure had fallen by 10 percent from a high of 52 percent in 1946 to 42 percent in the 1960s. During the same period the shares of both state and local governments had risen.

Another striking feature of the data in Table 1.3 is that there has been a dramatic shift away from local government in providing civilian services. The local share in direct civilian expenditure dropped 28 percentage points from 1902 to 1968, and the decline in the share has been reasonably steady throughout the period.

When defense and defense related spending is removed, the centralization trend is tempered considerably. State and local governments

TABLE 1.2

Direct Expenditure of Three Levels of Government and Shares of Three Levels of Government in Direct Expenditure
Selected Years 1902 to 1968

Year	Federal	Federal Share	State	State Share	Local	Local Share	Total	Total
	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)
1902	$ 565	34	$ 136	8	$ 959*	58	$ 1,660	100
1927	3,410	30	1,451	13	6,359*	57	11,220	100
1932	4,034	33	2,028	16	6,375*	51	12,437	100
1940	9,177	45	3,555	17	7,685*	38	20,417	100
1942	34,662	76	3,563	8	7,351*	16	45,576	100
1946	65,640	82	4,974	6	9,093*	11	79,707	100
1948	33,821	61	7,897	14	13,363*	24	55,081	100
1952	68,984	69	10,790	11	20,073	20	99,847	100
1958	81,219	60	20,137	15	33,575	25	134,931	100
1964	115,852	59	29,616	15	50,964	26	196,431	100
1965	118,996	58	31,334	15	55,221	27	205,550	100
1966	129,907	58	34,195	15	60,711	27	224,813	100
1967	151,821	59	39,704	15	66,971	27	258,496	100
1968	166,411	59	44,304	16	71,930	25	282,645	100
Annual Percent Increase								
	8.9%		9.1%		6.7%		8.0%	

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances in 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

Note: Direct expenditure excludes intergovernmental expenditure.

* Minor amounts of intergovernmental expenditure to states not separated from "direct expenditures." Individual items may not add to totals because of rounding error.

TABLE 1.3

Direct Civilian Expenditure of Three Levels of Government and
Shares of Three Levels of Government in Direct Civilian Expenditure
Selected Years 1902 to 1968

Year	Federal	Federal Share	State	State Share	Local	Local Share	Total	Total[1]
	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)
1902	400	27	136	9	959	64	1,495	100
1927	2,794	26	1,451	14	6,359	60	10,604	100
1932	3,313	28	2,028	17	6,375	54	11,716	100
1940	7,587	40	3,555	19	7,685	41	18,827	100
1942	8,107	43	3,563	19	7,351	39	19,021	100
1946	15,179	52	4,974	17	9,093	31	29,246	100
1948	17,746	45	7,897	20	13,363	34	39,006	100
1952	20,797	40	10,790	21	20,073	39	51,660	100
1958	33,897	39	20,137	23	33,575	38	87,609	100
1964	58,526	42	29,616	21	50,964	37	139,106	100
1965	63,186	42	31,334	21	55,221	37	149,741	100
1966	69,075	42	34,195	21	60,711	37	163,981	100
1967	77,183	42	39,704	22	66,971	36	183,858	100
1968	82,537	42	44,304	22	71,930	36	198,771	100

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

Note: Direct civilian expenditure excludes intergovernmental expenditure and expenditure for national defense and international relations.

1. Details may not add to totals because of rounding error.

combined have held their own remarkably well with the federal government in providing civilian services. Although the share of the federal government in direct civilian expenditure is larger presently than it was at the turn of the century, it has not grown markedly during the last decade, nor is it as large presently as it was during the immediate postwar period.

The period under discussion has been one of enormous growth in economic activity and complexity in our society. One would think that such growth would have produced tremendous changes in the structure of American government. Changes have indeed taken place, but the relative stability in the role of governmental functions by the three levels of government is what emerges as the dominant theme in federal-state-local fiscal relations. It appears that the federal-state-local fiscal system has adapted and adjusted to tremendous changes in economic conditions without losing its essential characteristics.

The Roles of Levels of Government by Type of Spending

There have been shifts in the roles of the three levels of government in total expenditure on civilian functions. What has been the magnitude of the changes in shares of expenditure by type of spending? One should not necessarily expect the changes in shares of expenditure to be the same for education, highways, public welfare, health, and natural resources.

The dominant pressures on government during the past two decades have been to provide more education, health, welfare, and other services. The responses of the American fiscal system to these pressures underly the trend in shares of the three levels of government in civilian expenditure. The nature of the responses by each of the three levels of government to these fiscal pressures raise problems of tax coordination, tax competition, intergovernmental grants-in-aid, expenditure coordination, different fiscal capacities and tax effort of local units, revenue sharing, and fiscal reform. However, our purpose here is to shed some light on the role of each of the three levels of government in providing important services such as education, health, welfare, and highways. The fiscal problems mentioned above will be taken up elsewhere in the study.

Table 1.4 shows the percent shares of the three levels of government in general civilian expenditure for selected years 1927 to 1968. Education expenditure has remained a local function throughout the period with the state share growing somewhat, primarily because of higher education expenditure which is almost exclusively a state function.

With the expansion of state highway systems and more recently the interstate system, the states now maintain the largest share of expenditures on highways. Surprisingly, however, local governments have maintained a share in highway expenditures of nearly one-third since the late 1930s. This is in spite of massive state expenditures on state and interstate highways.

TABLE 1.4

Shares of Three Levels of Government in General Civilian Expenditure
Selected Years 1927 to 1968

Level of Government	1927	1938	1962	1964	1968
Education:					
Federal Share	--	6	3	4	6
State Share	10	13	19	21	25
Local Share	90	81	78	75	69
Total[1]	100	100	100	100	100
Highways:					
Federal Share	1	23	2	1	1
State Share	28	38	63	66	67
Local Share	71	39	35	32	32
Total[1]	100	100	100	100	100
Public Welfare:					
Federal Share	6	13	1	2	12
State Share	25	37	49	48	46
Local Share	69	50	50	51	42
Total[1]	100	100	100	100	100
Health and Hospitals:					
Federal Share	18	19	29	31	29
State Share	39	40	35	35	36
Local Share	43	41	36	35	35
Total[1]	100	100	100	100	100
Natural Resources:[2]					
Federal Share	31	81	56	53	50
State Share	26	7	19	20	25
Local Share	43	12	25	28	25
Total[1]	100	100	100	100	100

Sources: Frederick C. Mosher and Orville F. Poland, The Costs of American Government: Facts, Trends, Myths (Dodd, Mead, and Co., 1964), pp. 46-67.

George F. Break, Intergovernmental Fiscal Relations in the United States (The Brookings Institution, 1967), p. 4.

Governmental Finances in 1967-68 (U. S. Department of Commerce, Bureau of the Census, 1969), p. 23.

Notes: Federal expenditure for veterans has been allocated to relevant categories. These patterns of expenditure reflect expenditures actually made by each level of government regardless of the source of finances.

1. Details may not add to totals because of rounding error.

2. Expenditure for stabilization of farm prices and income and for farm credit and insurance classified by the Bureau of the Census under natural resources expenditure are excluded from federal expenditure on natural resources in this table. Local parks and recreation are included in natural resources.

Local governments shouldered most of the burden for public welfare in the early part of the century, although they received assistance from both the state and federal governments. State and local governments now share public welfare expenditures on roughly an equivalent basis. Although the federal government provided assistance to state and local governments in providing public welfare assistance, direct expenditure of the federal government for that purpose has been minor. However, the federal share of 12 percent in 1968 reflects new federal outlays for medicaid and institutional care for the needy.

The federal government has increased its role in expenditure for health and hospitals over the years because of expenditures for veteran's hospitals and medical services, and large outlays for medical and health research.

Natural resources is the only major civilian function of government in which the federal government spends the largest share of funds. In 1968 the federal share stood at 50 percent of total direct civilian expenditure by all three levels of government. The major programs included in this category are multipurpose power and reclamation projects, irrigation, drainage, flood control, forestry and parks, and others.

In summary, local governments stand first in education expenditures; state governments stand first in highway expenditures, public welfare expenditures, and health and hospital expenditures; and the federal government stands first in natural resources expenditures. Local governments maintained their preeminent place in education expenditures throughout the period from 1927 to 1968. However, state governments in their role as grant intermediaries have replaced local governments in spending the largest share of funds for highways, public welfare, and health and hospitals.

Because the data in Table 1.4 reflect expenditures actually made by each level of government, whether or not they were financed by that level of government, there are some subtle aspects of the role of each level of government in providing traditional services which are not obvious from the above analysis. The development and growth of intergovernmental aid--federal-to-state and local, and state-to-local expenditure--has raised some additional issues which form the basis of much of the current discussion about government activity in the United States. Accordingly, we now turn to an analysis of intergovernmental aid in the United States.

Intergovernmental Aid and State and Local Government Activity in the United States

Examination of the trends and dimensions of grant-in-aid programs and their impact on governmental activity in the United States is necessary to get a complete view of the total public finance picture in the United States. The development of grant-in-aid programs by upper levels of government in the United States has been influenced by a variety of purposes and incentives. State governments share responsibilities which extend beyond the limits of local government jurisdictions; and likewise, the federal government must serve the interests of people on issues which extend beyond the geographic boundaries and legal jurisdictions of the states. Accordingly, the citizens of this country have given different fiscal capabilities and functional responsibilities to each of the three levels of government, although it is difficult to define any government function which is solely the responsibility of one level of government.

In areas where it has identified a national interest, such as highways, education, health services, welfare, and natural resources, the federal government has endeavored through grant-in-aid programs to establish a minimum level of services consistent with national goals and priorities. In some cases the grants were designed to induce larger state and local expenditure, also through the use of matching requirements.

States have taken upon themselves the equalization of educational opportunities for citizens within their jurisdictions via grants-in-aid to school districts. There are other areas where states are involved in varying degrees in grant-in-aid programs.

Local governments have experienced limited ability, legally and financially, to meet the demands for services, and they have consequently turned to states and to the federal government where the fiscal capability is restricted to a lesser degree by sensitivity to pressure groups.

Some issues have emerged regarding federal grants-in-aid which are the dominant theme in current discussions of public finance. There is much pressure for revenue sharing and unrestricted block grants because some analysts and politicians have charged that the current federal grant-in-aid scheme has distorted state and local budget priorities and has upset the traditional legal relationships between state and local governments and between the states and the federal government.

Although this survey has thrust our analysis toward consideration of these issues, they will not be treated here. Issues surrounding intergovernmental fiscal relations, especially in Montana, will be treated in another section of the Fiscal Affairs Study. Our direct concern here is to provide some insight into the magnitudes and trends of this important aspect of public finance in America.

Since 1902 both federal payments to state and local governments and state payments to local governments have grown more rapidly than has GNP. During the sixty-six year period, data in Table 1.5 show that federal payments to other levels of government grew at a compound annual rate of 12.8 percent per year, and state payments to local governments grew at a compound annual rate of 9.6 percent per year. During the same period GNP grew at only 5.8 percent per year.

In spite of the high growth rates of both federal and state expenditures as payments to other levels of government, they both remain a relatively minor part of GNP. Federal payments to state and local governments

TABLE 1.5

Federal and State Intergovernmental Expenditure in Dollars and as Percent of Gross National Product Selected Years 1902 to 1968

Year	Federal Payments To State And Local Governments	State Payments To Local Governments	GNP	Federal Payments to State and Local Governments as Percent of GNP	State Payments To Local Governments as Percent of GNP
	(Millions)	(Millions)	(Billions)	(Percent)	(Percent)
1902	$ 7	$ 52	$ 21.6	.03	.24
1927	123	596	96.3	.13	.62
1932	232	801	58.5	.40	1.37
1940	884	1,654	100.6	.88	1.64
1942	887	1,780	159.1	.56	1.12
1946	894	2,092	210.7	.42	.99
1948	1,771	3,283	259.4	.68	1.27
1952	2,585	5,044	347.0	.74	1.45
1958	4,441	7,943	444.5	1.00	1.79
1964	7,735	10,891	632.4	1.22	1.72
1965	11,062	14,147	684.9	1.62	2.07
1966	13,115	16,848	749.9	1.75	2.25
1967	15,027	19,056	793.5	1.89	2.40
1968	18,053	21,950	865.7	2.09	2.54
Annual Growth Rate 1902-68:	12.8%	9.6%	5.8%		

Sources: *Historical Statistics of the United States; Colonial Times to 1957* (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

Note: All dollars are in current prices, GNP is on a calendar-year basis, and fiscal data are on a fiscal-year basis.

as a percent of GNP grew from .03 percent of GNP in 1902 to about 2.1 percent in 1968.

State payments to local governments as a percent of GNP in 1968 were over ten times the level in 1902, when they were about one-fourth of 1 percent.

To evaluate the fiscal significance of intergovernmental revenue for state and local governments, we have prepared Table 1.6. Data in Table 1.6 measure state and local receipts from higher levels of government as a percent of own general revenue (a measure of state and local commitments to providing services through taxes, current charges, and miscellaneous revenue).

Federal government funds going to the states have risen from 1.7 percent of the revenues raised by the states themselves in 1902 to 35.3 percent in 1968. There has been a remarkably steady growth in state receipts from the federal government as a percent of states' own revenue efforts.

Local receipts from federal and state governments as a percent of locally raised revenue was 7.1 percent in 1902 and grew to 54.5 percent in 1968. Even though the local percentages have fluctuated more than the state percentages, local receipts from higher levels of government as a percent of own local revenue have been greater than the state percentage throughout the period. Recently, the states seem to be gaining ground on local governments in terms of the percent of own state revenue coming from the federal government.

It is interesting to note in Table 1.6 that although governments' own revenue exceeded state governments' own revenue in every year except 1968--1968 marked the first year in which the own revenue of state governments exceeded that of local governments--own revenues of both state and local governments have been surprisingly similar since 1948. Both state receipts from the federal government and state own revenues have grown more rapidly than the local receipts from higher levels of government and local own revenues. However, local intergovernmental receipts plus local own revenues still exceed state intergovernmental receipts plus state own revenues. This is due to the fact that local receipts from federal and state governments still exceed state receipts from the federal government.

Several conclusions can be drawn from this very brief look at intergovernmental grants-in-aid. First, although governments have been helping one another for many years, the extent to which this occurs is still small in relation to the overall productive capacity of the economy. The growth rate in federal payments to state and local governments has been growing faster than state payments to local governments by about 2 percent per year.

Looked at from the point of view of financial dependence of lower levels of government on higher levels, quite a striking picture emerges.

TABLE 1.6

Intergovernmental Revenue to State and Local Governments, Own General Revenue of State and Local Governments, and Intergovernmental Revenue as Percent of Recipient Governments' Own General Revenue Selected Years 1902 to 1968

Year	State Receipts from Federal Government	Local Receipts from Federal and State Governments	Own General Revenue of State Governments	Own General Revenue of Local Governments	State Intergovernmental Revenues as Percent of Own Government Revenue	Local Intergovernmental Revenues as Percent of Own Government Revenue
	(Millions)	(Millions)	(Millions)	(Millions)	(Percent)	(Percent)
1902	3	56	181	798	1.66	7.02
1927	107	605	1,857	4,479	5.76	13.51
1932	222	811	2,156	4,879	10.30	16.62
1940	667	1,932	3,657	5,007	18.24	38.59
1942	802	1,836	4,274	5,286	18.76	34.73
1946	802	2,145	5,419	6,082	14.80	35.27
1948	1,643	3,501	7,517	7,872	21.86	44.47
1952	2,329	5,281	10,944	11,671	21.28	45.25
1958	4,461	8,220	17,009	19,274	26.23	42.65
1964	9,046	13,829	28,184	30,256	32.10	45.71
1965	9,874	15,165	30,610	32,362	32.26	46.86
1966	11,743	17,768	34,511	35,404	34.03	50.19
1967	13,616	20,396	37,782	38,340	36.04	53.20
1968	15,228	22,295	43,197	40,886	35.25	54.53
Annual Growth Rate 1902-68:	13.6%	9.5%	8.7%	6.2%		

Sources: *Historical Statistics of the United States; Colonial Times to 1957* (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances in 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

Notes: All dollars are in current prices and the fiscal series in the table are on a fiscal-year basis, whereas GNP is on a calendar-year basis.

Own general revenue is total revenue minus intergovernmental revenue, utility revenue, liquor store revenue, and insurance trust revenue. Own revenue consists of taxes, current charges, and miscellaneous revenue.

The financial dependence of both state and local governments on higher levels of government has grown tremendously. In 1968 state receipts from the federal government amounted to over one-third of the total revenue which states raised from their own sources. Local receipts from state and federal governments in 1968 amounted to over one-half of the revenue raised by local governments from their own sources. Additionally, receipts from the federal government to state governments have been growing more rapidly than state own revenues. The same trend exists for local governments.

The fact that federal aid to state and local governments has grown markedly over the past two decades has provided the conditions necessary for the fiscal dominance by the federal government. Also, matching requirements as a condition for receipt of federal aid indicates a distortion of state and local fiscal priorities to the extent that the availability of funds for specific purposes runs counter to budget priorities of state and local governments. But, these factors are not sufficient to establish federal fiscal dominance. The fact remains that in Montana, at least, the legislature still exercises spending authority over federal aid to state agencies through the appropriation process.

The Public Revenue System in the United States

The foregoing sections have concentrated on relationships over time between federal, state, and local governments in terms of expenditures for services demanded of government. Of course, expenditures by governments are only part of the whole public finance picture, and, in terms of emotion and contention, not the major part by any measure. Consequently, we shall now turn to taxes and other revenue sources with the same objectives in mind--a broad perspective of the magnitudes of taxes and other revenue sources of the three levels of government over time.

Public Revenues in General

Total revenue from own sources has grown rapidly during the last six decades at all three levels of government. Total revenue from own sources for all governments combined increased at a compound annual rate of 7.9 percent. Own revenue of the federal and state governments grew at an annual rate of 8.8 percent and 8.9 percent respectively. Own revenue to local governments grew over two percentage points slower than either federal or state revenue. By comparison, during the six decades local revenue from own sources grew at only 6.2 percent per year. It is interesting to note that own revenue of all three levels of government grew at an annual rate exceeding the growth in GNP; so obviously, own revenues of all three levels of government have become a higher percent of GNP during the period (see table 1.7).

In 1902, total own revenues of the three levels of government were about 8 percent of GNP, and in 1968 they were about 31 percent of GNP. Total own revenue grew to around 20 percent of GNP during the depression, but by 1946 it stood at 29 percent of GNP. Immediately after

TABLE 1.7

Total Revenue from Own Sources of Three Levels of Government as Percent of GNP
Selected Years 1902 to 1968

Year	Total Own Revenue	GNP	Own Revenue as Percent of GNP
	(Millions)	(Billions)	(Percent)
1902	1,694	21.6	8
1927	12,191	96.3	13
1932	10,289	58.5	18
1940	17,804	100.6	18
1942	28,352	159.1	18
1946	61,532	210.7	29
1948	67,005	259.4	26
1952	100,245	347.0	29
1958	130,403	444.5	29
1964	192,412	632.4	30
1965	202,585	684.9	30
1966	225,641	749.9	30
1967	253,125	793.5	32
1968	265,639	865.7	31

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances in 1958 and subesequent issues (U.S. Department of Commerce, Bureau of the Census).

World War II, it dropped but rose again in response to the Korean conflict. Since 1952, total own revenue as a percent of GNP has ranged from 29 percent to 32 percent of GNP.

The shares of the three levels of government in total own revenue have changed drastically during the six decades. Local governments raised 52 percent of own revenue of all three levels in 1902, but in 1968 local governments raised only 18 percent of the revenue. State governments raised 11 percent of own revenue of the three levels in 1902, but, unlike local governments, the share raised by the states has risen over the period to 20 percent in 1968. Likewise, the share of own revenue raised by the federal government has grown. During the period the share of own revenue raised by the federal government grew from 37 percent in 1902 to 62 percent in 1968. (see Table 1.8)

During the last two decades, there has been some degree of stability in shares of own revenue raised by the three levels of government. The federal government has lost some ground and the states have gained, while the local share has remained virtually constant since 1948. Although hostilities had ended by 1946, the fiscal impact of World War II was still evident in that year. In 1946, the share of the federal government in revenue from own sources was 72 percent. The shares of state and local governments were at a modest 13 percent and 15 percent respectively.

The depression of the 1930s caused a major push toward centralization of revenue collections at the federal level and, to some degree, at the state level. Using 1932 and 1940 for comparison purposes, the local share in revenue dropped by 17 percentage points, the state share increased by 6 percentage points, and the federal share increased by 11 percentage points. There was a drop in the federal share of own revenue raised by the three levels of government in 1946. However, because of the cold war and economic and social policy commitments out of the 1930s, the federal share never declined to a pre-World War II level after 1946. Thus, the major centralization of revenue took place during the depression and during World War II, not during the last two decades.

Another way of looking at the public revenue system is to view it by type of revenue source for all levels of government. Total revenue raised from own sources is made up of broad categories' defined by the Bureau of the Census. These categories include tax revenue, current charges and miscellaneous revenue, revenue from utility and liquor store enterprises, and insurance trust revenue.

Total tax revenue increased at a compound annual growth rate of 7.7 percent over the sixty-six year period. Tax revenue to all governments grew from about $1.4 billion in 1902 to $185.1 billion in 1968. Tax revenue has been the largest revenue source to all governments in the United States since 1902. In 1902 tax revenue made up 81 percent of total revenue. It fluctuated from 79 percent to 71 percent of total revenue until 1966, but dropped to 70 percent in 1967 and 1968 (see Table 1.9).

TABLE 1.8

Shares in Total Revenue from Own Sources of Three Levels of Government Selected Years 1902 to 1968

Year	Total All Governments	Federal Share	State Share	Local Share
	(Percent)	(Percent)	(Percent)	(Percent)
1902	100	37	11	52
1927	100	34	17	49
1932	100	23	22	55
1940	100	34	28	38
1942	100	52	22	26
1946	100	72	13	15
1948	100	65	16	18
1952	100	66	16	18
1958	100	66	16	18
1964	100	63	19	19
1965	100	62	19	19
1966	100	63	19	18
1967	100	64	18	18
1968	100	62	20	18

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances in 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

Note: Total revenue from own sources excludes intergovernmental revenue to states and local governments. All revenue to the federal government is treated as own revenue.

TABLE 1.9

The Structure of Own Total Revenue of All Levels of Government in the United States Selected Years 1902 to 1968

Year	Own Total Revenue[1]	Total[2]	Tax Revenue	Tax Revenue as Percent of Total Revenue	Charges and Miscellaneous General Revenue	Charges and Miscellaneous General Revenue as Percent of Total Revenue	Utility and Liquor Store Revenue	Utility and Liquor Store Revenue as Percent of Total Revenue	Insurance Trust Revenue	Insurance Trust Revenue as Percent of Total Revenue
	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)
1902	$ 1,694	100	$ 1,373	81	$ 259	15	$ 60	4	$------	--
1927	12,191	100	9,451	78	2,098	17	403	3	237	2
1932	10,289	100	7,977	78	1,601	16	463	4	248	2
1940	17,804	100	12,688	71	2,170	12	998	6	1,948	11
1942	28,352	100	20,793	73	3,554	13	1,277	5	2,728	10
1946	61,532	100	46,380	75	8,750	14	2,033	3	4,369	7
1948	67,005	100	51,218	76	8,448	13	2,511	4	4,828	7
1952	100,245	100	79,066	79	10,163	10	3,108	3	7,907	8
1958	130,403	100	98,387	75	14,079	11	4,211	3	13,726	11
1964	192,412	100	138,292	72	22,448	12	5,975	3	25,697	13
1965	202,585	100	144,953	72	24,739	12	6,355	3	26,539	13
1966	225,641	100	160,836	71	27,626	12	6,619	3	30,558	14
1967	253,125	100	176,362	70	30,629	12	7,180	3	38,955	15
1968	265,639	100	185,126	70	32,197	12	7,502	3	40,814	15
Annual Growth Rate 1902-68:	7.9%		7.7%		7.5%		7.6%		13.8%	

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Census, 1960).

Governmental Finances in 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

1. Intergovernmental revenue is excluded.

2. Details may not add to totals because of rounding error.

Current charges and miscellaneous revenue, which includes governmental charges for a wide variety of services provided by governments such as postage, tuition at universities, school lunch sales, airport use fees, sale of government property, interest earnings and others, ranged from 12 percent to 17 percent of total revenue during the sixty-six year period. In 1968, current charges and miscellaneous revenue amounted to about $32.2 billion, or about 12 percent of total revenue from own sources of all governments. During the sixty-six year period, current charges grew at a compound annual growth rate of 7.5 percent. This component was the slowest growing of the four components of total revenue.

Utility enterprise and liquor revenues totaled $7.5 billion in 1968. Beginning in 1902, at a modest $60 million, these revenues grew at an annual rate of 7.6 percent compounded. Over the period from 1902 to 1968, utility enterprise and liquor revenues were never over 6 percent of total revenue, and during the last sixteen years these revenues have made up only 3 percent of the total.

Insurance trust revenues of the three levels of government have been the fastest growing component of total revenue from own sources. Between 1902 and 1968, insurance trust revenues have grown at 13.8 percent per year. Accordingly, this revenue source has become a larger and larger share of total own revenue over time, beginning at 2 percent in 1927 and growing to 15 percent in 1968.

Now that we have a broad cross-section view of the public revenue system in the United States, we turn to a more detailed look at tax revenue of each of the three levels of government.

The Tax System in the United States

Taxes, which continue to provide the largest share of governmental receipts, play an important role in the American society and economy today. At the federal level, tax policy is shaped by two major national goals. Over the years, a fairly clear national consensus has emerged which aims at reducing wide disparities in income among the citizenry. Tax policy provides a two-pronged approach to pursue this national interest. First, federal tax revenues provide funds for government programs which are designed to assure minimum standards in health, education, manpower training, housing, etc. Second, the federal tax system, most especially the individual income tax, has been designed to extract a larger share of income from the wealthy than it extracts from the poor. It is clearly beyond the scope of this study to evaluate the progress that has been made in pursuit of this national goal. It is also not our purpose here to evaluate the appropriateness of governmental policies for equalizing the distribution of income. It is clear that the federal tax system along with the expenditure it has made possible has the potential at least for redistributing income in the United States.

Federal tax policy has proven to be a potent tool for pursuing the national policies of full employment and price stability. Of course, economists do not claim that tax policy alone is enough. There must be appropriate timing and mix of monetary and fiscal policy which involves appropriate monetary management as well as expenditure and tax policies. Again, we are not attempting to settle arguments about the appropriateness or effectiveness of tax policy pursuant to the goals of employment and price stability. But the fact is that changes are made in tax provisions and rates directed at the realization of certain national goals which significantly affect every citizen. Consequently, these questions are part of the overall picture of public finance in the United States, and such a picture would be incomplete without mentioning them.

Fiscal operations of state and local governments can be classified as important forces in reducing disparities in income among the citizenry. While state and local tax systems exact less in relation to income from the rich than from the poor, the revenue provided through taxation is spent for public services, such as education and health, resulting in proportionately higher benefits to the poor than to the rich in relation to income. Thus, when expenditures are considered, state and local tax systems are playing a major role in pursuit of the national goal of reducing the wide income disparities among the people. But at the same time, the regressivity of most state and local tax systems runs counter to that national goal.

It is not known whether state and local tax policies are, or could be if they are not, a significant force in pursuit of full employment and price stability. Not much can be said on this issue. However, there are several relevant facts which may shed some light on the question. First, tax revenue of state and local governments is a little over one-third of the tax revenue received by the federal government. State and local governments can be an important force from this point of view. Second, each state economy is an open economy subject to significant forces coming from outside its borders so that any significant actions taken within a particular state would be considerably affected by the free flow of labor, capital, and goods and services across its borders. Third, it is doubtful that an operative state-local tax policy which is uniform among the fifty states could come about. In addition to the fact that each state is sovereign to a large degree in the realm of its tax policy, state and local fiscal systems have not displayed the flexibility of the federal government in lowering and raising tax rates. Thus, despite the large magnitudes involved in state and local fiscal operations, it is unlikely that a definitive operative full employment-price stability tool could be effectively developed at the state and local level.

One way to look at the tax system of the United States is to look at the composition of tax revenue by the type of tax. The United States Bureau of the Census has provided data for a cross-section view of tax revenue collected by all levels of government. The categories of taxes used by the Bureau of the Census are individual income tax, corporate income tax, sales and gross receipts taxes, property tax, and other taxes including licenses. Table 1.10 was prepared to

TABLE 1.10

The Composition of Tax Revenue by Type of Tax
For All Levels of Government
Selected Years 1902 to 1968

Year	Total Tax Revenue	Total[1]	Individual Income Tax	Individual Income Tax as Percent of Total Taxes	Corporate Income Tax	Corporate Income Tax as Percent of Total Taxes	Sales and Gross Receipts Taxes	Sales and Gross Receipts Taxes as Percent of Total Taxes	Property Tax	Property Tax as Percent of Total Taxes	Other Taxes Including Licenses	Other Taxes and Licenses as Percent of Total Taxes	All Tax Revenue as Percent of GNP	All Tax Revenue Per Capita
	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Percent)	(Dollars)
1902	$ 1,373	100	$------	--	$------	--	$ 515	38	$ 706	51	$ 152	11	.1	$ 17
1927	9,451	100	949	10	1,351	14	1,558	16	4,730	50	862	9	9.8	79
1932	7,977	100	479	6	677	8	1,485	19	4,487	56	849	11	13.6	64
1940	12,688	100	1,184	9	1,278	10	4,109	32	4,430	35	1,687	13	12.6	96
1942	20,793	100	3,484	17	4,996	24	5,776	28	4,537	22	2,000	10	13.1	159
1946	46,380	100	16,584	36	12,275	26	9,950	21	4,986	11	2,586	6	22.0	335
1948	51,218	100	19,855	39	10,263	20	12,092	24	6,126	12	2,881	6	19.7	353
1952	79,066	100	28,927	37	22,064	28	15,689	20	8,652	11	3,735	5	22.8	515
1958	98,387	100	36,483	37	21,092	21	21,102	21	14,047	14	5,661	6	22.1	574
1964	138,292	100	52,488	38	25,188	18	30,539	22	21,241	15	8,837	6	21.9	730
1965	144,953	100	52,882	36	27,390	19	32,904	23	22,583	16	9,191	6	21.1	755
1966	160,836	100	60,206	37	32,111	20	33,726	21	24,670	15	10,123	6	21.4	830
1967	176,362	100	67,361	38	36,198	21	36,360	21	26,280	15	10,164	6	22.2	901
1968	185,126	100	76,034	41	31,183	17	39,186	21	27,247	15	10,976	6	21.4	940

Sources: *Historical Statistics of the United States; Colonial Times to 1957* (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census, 1960).

1. Details may not add to totals because of rounding error.

show some of the significant aspects of the tax revenue structure of the United States. When interpreting Table 1.10 it should be remembered that these tax sources have differing degrees of importance in the revenue system of each of the three levels of government. For example, the property tax is primarily a local tax revenue source, but the states also levy property taxes. All three levels of government levy individual income taxes, but the order of importance generally runs from federal, to state, to local. General sales taxes are the domain of state and local governments, but all three levels levy selective excise taxes.

The most striking feature of Table 1.10 is the relation between total tax revenue of all governments and gross national product. It should be noted that although tax revenue per capita grew from $335 to $940 from 1946 to 1969, there has been a constant relation between tax revenue and GNP during that period. During the past two decades tax revenue fluctuated between 19.7 percent to 22.8 percent of GNP. Another interesting feature of Table 1.10 is the decline in the role of the property tax in relation to total tax revenue. In 1902, the property tax made up 51 percent of total tax revenue collected by all three levels of government. The property tax made up only 15 percent of total tax revenue by 1968. Since 1932 the role of the property tax has declined in the tax revenue system. For the last decade (1958 to 1968) the share of the property tax has remained stable at around 15 percent of total tax revenue.

The individual income tax became the largest producer of tax revenue in 1946, and has remained in that role since then. In 1968, the individual income tax made up 41 percent of total tax revenue.

The corporate income tax shows the widest fluctuations in its share of tax revenue. In 1952, the corporate income tax made up 28 percent of total tax revenue; but in 1968, it made up only 17 percent of total tax revenue. During the twenty year period from 1948 to 1968, there appears to be no discernable trend in the role of the corporate income tax in the tax system.

The magnitudes of sales taxes, gross receipts taxes, and the corporate income tax are similar. However, sales and gross receipts taxes seem to be more stable producers of revenue than corporate income taxes.

Another way to look at the tax system of the United States is to look at the composition of tax revenue by type of tax and by level of government. We now turn to this view.

Federal Taxes. Table 1.11 shows that federal taxes as a percent of GNP have grown from 2 percent in 1902 to 14 percent in 1968, or by twelve percentage points. On the other hand, per capita federal taxes grew from $6 in 1902 to $597 in 1968, nearly 100-fold increase during the sixty-six year period. During the last decade, although per capita federal tax revenue increased by $200, per capita federal taxes fell from 15 percent to 14 percent of GNP.

TABLE 1.11

Composition of Federal Tax Revenue by Type of Tax
Selected Years 1902 to 1968

Year	Total Federal Taxes	Total[1]	Individual Income Taxes	Individual Income Taxes as Percent of Total Taxes	Corporate Income Tax	Corporate Income Tax as Percent of Total Taxes	Sales and Gross Receipts Taxes	Sales and Gross Receipts Taxes as Percent of Total Taxes	Other Taxes	Other Taxes as Percent of Total Taxes	Federal Tax Revenue as Percent of GNP	Federal Tax Revenue Per Capita
	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Percent)	(Dollars)
1902	$ 513	100	$------	--	$------	--	$ 487	95	$ 26	5	2	6
1927	3,363	100	879	26	1,259	37	1,088	32	137	4	3	28
1932	1,813	100	405	22	598	33	733	40	77	4	3	15
1940	4,878	101	959	20	1,123	23	2,127	44	669	14	5	37
1942	12,265	100	3,205	26	4,727	39	3,425	28	908	7	8	94
1946	36,286	101	16,157	45	11,833	33	6,964	19	1,332	4	17	262
1948	37,876	100	19,305	51	9,678	26	7,650	20	1,243	3	15	261
1952	59,743	101	27,921	47	21,226	36	9,332	16	1,264	2	17	390
1958	68,007	101	34,724	51	20,074	30	11,273	17	1,936	3	15	397
1964	90,508	100	48,697	54	23,493	26	14,776	16	3,542	4	14	478
1965	93,709	100	48,792	52	25,461	27	15,786	17	3,670	4	14	488
1966	104,095	100	55,446	53	30,073	29	14,641	14	3,935	4	14	537
1967	115,121	100	61,526	53	33,971	30	15,806	14	3,818	3	15	588
1968	117,555	100	68,726	58	28,665	24	16,275	14	3,889	3	14	597

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances in 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

1. Details may not add to totals because of rounding error.

From 1927 to 1968, the federal individual income tax doubled in importance in the federal tax system. The federal individual income tax by the end of World War II became the most important source of federal tax revenue. It reached $16.2 billion, or 45 percent of total federal taxes, in 1946. Since 1946 it has been the dominant federal tax source. Although the individual income tax remained stable in 1964 and 1965 due to the 1964 tax cut, growth in incomes have yielded proportionately more tax revenue because of the progressive rates. Hence, the individual income tax has continued to become a larger component of total federal taxes.

The federal corporate income tax in 1968 made up about one-fourth of total federal tax revenue. Over the period 1927 to 1968, the corporation income tax fluctuated more widely than any other major federal tax source, but its share of total federal tax revenue never dropped below 23 percent. During the period the share of the corporation income tax ranged from 23 percent to 39 percent of total federal tax revenue.

Sales and gross receipts taxes, which made up 95 percent of federal tax revenue in 1902, display a downward trend in their share of total federal tax revenue. During the last four years, federal sales and gross receipts taxes have made up only 14 percent of federal tax revenue.

Other federal taxes, consisting primarily of death taxes, have been a minor share of total federal tax revenue throughout the sixty-six year period. Death taxes have relatively little to do with economic activity. This was revealed in 1940, near the end of the depression, when other federal taxes reached the all-time maximum of 14 percent of total federal taxes.

State Taxes. The dominant feature of state tax structures over time is that sales and gross receipts taxes, primarily general retail sales and use taxes, have been the largest sources of state tax revenue since 1932. They have constituted over 50 percent of total states taxes since 1940, ranging from 56 percent to 60 percent of total state tax revenue.

Another striking feature of Table 1.12 is that the share of total state taxes made up by the property tax has declined from 53 percent in 1902 to 3 percent in 1968. Most people who observed the depression are not surprised by the fact that property taxes declined during that period. Property taxes also declined in amount during World War II. Since 1946 they have grown from $249 million to $912 million, a very moderate growth when compared to any other source of state tax revenue. The moderate growth in state property tax revenue has resulted in a slow but steady decline in its share of total state tax revenue.

State individual income taxes and state sales and gross receipts taxes have become more important than property and "other taxes"

TABLE 1.12

Composition of State Tax Revenue by Type of Tax
Selected Years 1902 to 1968

Year	Total State Taxes	Total State Taxes[1]	Individual Income Taxes	Individual Income Tax as Percent of Total Taxes	Corporate Income Taxes	Corporate Income Taxes as Percent of Total Taxes	Sales and Gross Receipts Taxes	Sales and Gross Receipts Taxes as Percent of Total Taxes	Property Taxes	Property Taxes as Percent of Total Taxes	Other Taxes and Motor Vehicle And Operator License Taxes	Other Taxes and Motor Vehicle And Operator License Taxes As Percent of Total Taxes	State Tax Revenue as Percent of GNP	State Tax Revenue Per Capita
	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Percent)	(Dollars)
1902	$ 156	100	$-----	--	$-----	-	$ 28	18	$ 82	53	$ 46	29	1	$ 2
1927	1,608	100	70	4	92	6	445	28	370	23	631	39	2	14
1932	1,890	100	74	4	79	4	726	38	328	17	683	36	3	15
1940	3,313	100	206	6	155	5	1,852	56	260	8	840	25	3	25
1942	3,903	100	249	6	269	7	2,218	57	264	7	903	23	2	30
1946	4,938	100	389	8	442	9	2,803	57	249	5	1,055	21	2	36
1948	6,742	100	499	7	585	9	4,042	60	276	4	1,340	20	3	46
1952	9,857	100	913	9	838	9	5,730	58	370	4	2,006	20	3	64
1958	14,918	100	1,544	10	1,018	7	8,750	59	533	4	3,073	21	3	87
1964	24,243	100	3,415	15	1,695	7	13,957	58	722	3	4,454	18	4	128
1965	26,125	100	3,657	14	1,929	7	15,059	58	766	3	4,714	18	4	136
1966	29,380	100	4,288	15	2,038	7	17,044	58	834	3	5,176	18	4	152
1967	31,927	100	4,909	15	2,227	7	18,575	58	862	3	5,354	17	4	163
1968	36,400	100	6,231	17	2,518	7	20,979	58	912	3	5,760	16	4	185

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances in 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding error.

(motor vehicle operator taxes, death taxes, and minor miscellaneous taxes) during the last six decades. State individual income taxes have grown to $6.2 billion in 1968. Sales and gross receipts taxes have grown from $28 million in 1902 to nearly $21 billion in 1968.

State tax revenue as a percent of GNP has been at 4 percent since 1964 and appears to be very stable at about that level. Per capita state tax revenue grew from $2 in 1902 to $185 in 1968. It grew by more than $20 from 1967 to 1968.

The average state tax structure in the United States in 1968 obtained 17.1 percent of its tax revenue from individual income taxes, 6.9 percent of its tax revenue from corporation income taxes, 57.6 percent of its tax revenue from sales and gross receipts taxes, 2.5 percent of its tax revenue from property taxes, and 15.8 percent of its tax revenue from other taxes.

Local Taxes. Local tax structures are dominated by property taxes. Property taxes made up 86 percent of local tax revenue in 1968 and have deviated from the share by only 3 percent over the last twenty years. Since 1958, local property tax revenue nearly doubled from $13.5 billion in that year to $26.8 billion in 1968.

Local individual income taxes first appeared in local tax structures in 1940. Since 1940, they have not exceeded 3 percent of total local tax revenue. Local income taxes have slowly increased as a share of total local tax revenue since 1940, but the change in their importance has not been dramatic.

Local sales and gross receipts taxes are the second largest source of local tax revenue. Although local sales and gross receipts taxes grew in their share of total local tax revenue during the mid-sixties, they were of the same importance in local tax structures in 1948 as they were in 1968.

There is no discernable trend in the role of other local taxes in the local tax structure. This is despite the fact that they have grown from $80 million in 1902 to over $1.3 billion in 1968.

Local tax revenue as a percent of GNP and on a per capita basis are similar in magnitude to state tax revenue, and they display the same trends. Local tax revenue per capita in 1968 was $27 below state tax revenue in 1968.

Other Revenues. Tax revenue constitutes about 70 percent of total revenue raised by the three levels of government from their own sources. There remains 30 percent of the revenue which, thus far, have received little attention. The broad categories of revenue comprising this 30 percent of revenue are: (1) charges and miscellaneous revenue;

TABLE 1.13

Composition of Local Tax Revenue by Type of Tax
Selected Years 1902 to 1968

Year	Total Local Taxes	Total Local Taxes	Individual Income Taxes	Individual Income Taxes as Percent of Total Taxes	Sales and Gross Receipts Taxes	Sales and Gross Receipts Taxes as Percent of Total Taxes	Property Taxes	Property Taxes as Percent of Total Taxes	Other Taxes	Other Taxes as Percent of Total Taxes	Local Tax Revenue as Percent of GNP	Local Tax Revenue Per Capita
	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Percent)	(Dollars)
1902	$ 704	100	$-----	-	$-----	-	$ 624	89	$ 80	11	3	9
1927	4,479	100	-----	-	25	1	4,360	97	94	2	5	38
1932	4,274	100	-----	-	26	1	4,159	97	89	2	7	34
1940	4,497	100	19	0*	130	3	4,170	93	178	4	4	34
1942	4,625	100	30	1	133	3	4,273	92	189	4	3	35
1946	5,157	100	38	1	183	4	4,737	92	199	4	2	37
1948	6,599	100	51	1	400	6	5,850	89	298	5	3	45
1952	9,467	100	93	1	627	7	8,282	87	465	5	3	62
1958	15,460	100	215	1	1,079	7	13,514	87	652	4	3	90
1964	23,542	100	376	2	1,806	8	20,519	87	841	4	4	124
1965	25,116	100	433	2	2,059	8	21,817	87	807	3	4	131
1966	27,361	100	472	2	2,041	7	23,836	87	1,012	4	4	141
1967	29,315	100	926	3	1,979	7	25,418	87	992	3	4	150
1968	31,171	100	1,077	3	1,932	6	26,835	86	1,327	4	4	158

* Less than .5 percent.

(2) utility enterprise and liquor store revenue; and (3) insurance trust revenue. These categories make up 12 percent, 3 percent, and 15 percent of total own revenue to all levels of government respectively.

Charges and miscellaneous revenue. Charges and miscellaneous revenues consist of fees, sales, and other charges to persons for services rendered by governments as well as revenue from the sale of property and interest earnings. The federal government has been the dominant user of charges and miscellaneous revenue as an income source since 1902. The items making up the bulk of federal charges and miscellaneous revenue are the United States Post Office mail charges and the sale of agricultural commodities obtained through price and income support programs. During the sixty-six year period, federal charges and miscellaneous revenues have grown at a compound annual rate of 7.6 percent. In the last decade that growth rate has fallen by 1 percent. During the past twenty-two years, state charges and miscellaneous revenue have become more important in the total picture. In 1946, the state's share was only 6 percent; but by 1968, it had grown to 22 percent of total charges and miscellaneous revenue. During that twenty-two year period, state charges and miscellaneous revenue grew from $482 million to nearly $7 billion. The major item making up the bulk of state charges and miscellaneous revenue is tuition and fees paid by students to state higher education systems. Other large items making up state revenue from charges and miscellaneous revenue are revenues from charges in state hospitals, interest earnings, state investments, and revenue from natural resources. Over the sixty-six year period, state charges and miscellaneous revenues have grown at 8.9 percent per year, but during the last ten years, they have grown at 12.7 percent per year. Since 1946, local charges and miscellaneous revenue have grown in share from 11 percent in 1946 to 30 percent in 1968. The absolute growth in local charges over that twenty-two year period has been tenfold to a total of $9.7 billion in 1968. The long-term average growth rate in total charges is smaller than the ten year growth rate in local charges. It is interesting to note that the ten year growth rates of state and local charges are larger than the long-term growth rates, but the ten-year growth rate of federal charges is smaller than the long-term growth rate. (see Table 1.14)

Some observers have charged that there is significant political pressure to shift more public financing to user charges, fees, and sales. The presumption behind the charge is that people are less sensitive to increases in, or the establishment of new user charges, than they are to additional taxes. One way to shed some light on the question is to relate charges and miscellaneous revenue to own revenue raised by state and local governments. Table 1.15 shows that local governments have been increasing the use of charges and miscellaneous revenue more rapidly than other revenue sources. In 1902, local charges were 11 percent of local own revenue, whereas in 1968 they were 20 percent of local own revenue. Uniform growth in the role of local charges

TABLE 1.14

Charges and Miscellaneous General Revenue of Three Levels of Government
Selected Years 1902 to 1968

Year	All Governments	All Governments[1]	Federal Government	Federal Share	State Governments	State Share	Local Governments	Local Share
	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)	(Millions)	(Percent)
1902	$ 259	100	$ 140	54	$ 25	10	$ 94	36
1927	2,098	100	1,032	49	249	12	819	39
1932	1,601	100	730	46	266	17	605	38
1940	2,170	100	1,316	61	344	16	510	24
1942	3,554	100	2,523	71	370	10	661	19
1946	8,750	100	7,343	84	482	6	925	11
1948	8,448	100	6,401	76	774	9	1,273	15
1952	10,163	100	6,871	68	1,087	11	2,205	22
1958	14,079	100	8,105	58	2,089	15	3,885	28
1964	22,448	100	11,793	53	3,942	18	6,714	30
1965	24,739	100	13,010	53	4,483	18	7,245	29
1966	27,626	100	14,452	52	5,131	19	8,044	29
1967	30,629	100	15,748	51	5,856	19	9,025	30
1968	32,197	100	15,686	49	6,797	22	9,714	30
Annual Growth Rate								
1902-68:	7.6%		7.5%		8.9%		7.3%	
1958-68	8.6%		6.6%		12.7%		9.6%	

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

1. Details may not add to totals because of rounding error.

in local own revenue occurred from 1940 through 1968. Although state charges as a percent of own state revenue was 14 percent in 1902, the highest share during the sixty-six year period, the role of state charges displays an upward trend from 1940 through 1968. The role of state charges in state revenue is not as large, nor has it grown as fast as has the role of local charges in local revenue. There appears to be a tendency for federal charges as a percent of federal revenue to fall over the long-term, but there has been a degree of stability since 1952.

To the extent that the political sensitivity of taxes increases as you move from federal-to-state-to-local governments, the data in Table 1.15 seem to support the charge that fees, charges, and sales are being used more and more in lieu of additional tax revenue. If the trend continues in state and local finance, whereby charges and miscellaneous revenue become a substitute for tax revenue, questions of equity will emerge. The question of equity involves the alternative distribution of burdens and benefits of government services by using charges and miscellaneous revenue for financing as opposed to using tax revenue to finance public services. Regardless of whether the decision to move more toward charges is implicit or explicit, serious questions of equity will arise.

Insurance trust revenue. The insurance trust revenue system in the United States is composed of five different social insurance programs. These programs are Unemployment Compensation, Employee Retirement, Old Age, Survivor's, Disability and Health Insurance (OASI), Veteran's Life Insurance, and Railroad Retirement. The Unemployment Compensation system is a federal-state program administered by the states. One local government, Washington, D.C., has the same status as the states in the Unemployment Compensation System. Employee Retirement systems are primarily systems designed to serve governmental units and all three levels of government administer these systems. OASI, Veterans' Life Insurance, and the Railroad Retirement System are administered by the federal government.

The revenue for all insurance trust systems of all levels of government has grown from $237 million in 1927 to $40.8 billion in 1968 at an annual growth rate of about 13.5 percent. The federal government collects about three-fourths of all insurance trust revenue, and in 1968, 71 percent of the federal revenue from insurance trusts was attributed to Old Age, Survivor's, OASI.

In 1968, total insurance trust revenue was 4.7 percent of GNP, and $207 per capita in the United States. In comparison, insurance trust revenue in 1958 was 3.1 percent of GNP and only $80 per capita. During the decade from 1958 to 1968, insurance trust revenue grew at about 11.5 percent per year.

Utility enterprise and liquor store revenue. Utility enterprises are primarily local operations providing water and sewerage services

TABLE 1.15

Charges and Miscellaneous Revenue as Percent of Own
Revenue of Three Levels of Government
Selected Years 1902 to 1968

Year	Federal (Percent)	State (Percent)	Local (Percent)
1902	21	14	11
1927	23	12	14
1932	28	12	11
1940	19	7	9
1942	16	6	11
1946	16	6	12
1948	14	8	13
1952	10	8	16
1958	9	10	17
1964	10	11	19
1965	10	12	19
1966	10	12	19
1967	10	13	20
1968	9	13	20

Sources: Historical Statistics of the United States; Colonial Times to 1957 (U.S. Department of Commerce, Bureau of the Census, 1960).

Governmental Finances in 1958 and subsequent issues (U.S. Department of Commerce, Bureau of the Census).

in addition to refuse removal, etc. Liquor store enterprises are for the most part state-owned monopolies which control and sell liquor. Total revenue from these operations was $7.5 billion in the United States in 1968; the states collecting $1.6 billion, and local governments collecting $5.9 billion.

CHAPTER 2 ECONOMIC BACKGROUND OF MONTANA'S FISCAL SITUATION

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CHAPTER 2

ECONOMIC BACKGROUND OF MONTANA'S FISCAL SITUATION

Introduction

Every informed person in the state is aware that Montana, like most other states, has encountered increasingly difficult fiscal problems in recent years. Probably many people also have the general impression that it was not always so. They have vague recollections of better days. Examination of the facts reveals that such an impression is well founded.

Table 2.1 presents general fund revenues and expenditures for the State of Montana for each fiscal year from 1946 through 1969 and the balance which remained in the fund at the end of each of these periods.

The table indicates that in the immediate postwar years money was literally pouring into the general fund, with the year-end balance growing steadily in spite of substantial increases in annual expenditures. In fiscal 1949 when the balance reached its peak of approximately $14.7 million, this accumulation exceeded total general fund expenditures for that year by more than $3 million. In large measure the enormous buildup of the general fund balance appears to have been due to the special circumstances of an unprecedented agricultural boom which does not seem likely to recur. For nearly a decade thereafter, this financial legacy left behind by the boom served to mask the fact that underlying economic and fiscal conditions were undergoing fundamental and unfavorable change. During the 1950s, expenditures ran well ahead of revenue in every year except one; yet the general fund continued to show a positive balance at the end of each year. It was not until 1959 that the declining balance finally turned to a deficit, alerting the state to a financial crisis that had been on the way for ten years.

The problem was not that revenue failed to grow. In fact it doubled during the 1950s. But expenditures increased threefold and have continued to grow rapidly. Table 2.1 indicates that both revenue and expenditures have increased about eightfold since the end of World War II. During this time the tendency for desired expenditures to run ahead of available revenue has been noted in all states. However, there is evidence which suggests that in many fundamental respects Montana's situation is more difficult than that of most other states. What are the considerations involved?

TABLE 2.1

State of Montana

General Fund
Revenue & Expenditures
Fiscal 1946-1969

Fiscal Year	Income	Expenditure	Balance End of Year*
1945-1946	$ 8,209,343.76	$ 7,828,059.66	$ 1,303,917.51
1946-1947	10,789,325.78	8,818,591.80	3,274,651.49
1947-1948	15,508,917.05	10,687,512.69	8,096,055.85
1948-1949	18,292,531.71	11,652,562.42	14,736,025.14
1949-1950	16,366,483.57	17,727,900.34	13,374,608.37
1950-1951	17,436,978.12	20,966,227.89	9,845,358.60
1951-1952	19,565,004.65	21,892,307.80	7,518,055.45
1952-1953	13,462,241.90	20,734,195.25	5,246,102.10
1953-1954	19,979,478.23	18,327,471.25	6,898,109.08
1954-1955	19,763,905.78	21,646,259.28	5,015,755.58
1955-1956	22,628,190.81	23,829,022.47	3,814,923.92
1956-1957	24,999,374.41	25,742,199.10	3,072,099.23
1957-1958	28,561,163.17	31,456,123.40	177,139.00
1958-1959	31,190,660.51	33,607,533.12	(2,239,733.61)
1959-1960	34,498,684.08	37,240,256.26	(4,981,305.79)
1960-1961	37,689,164.48	37,168,361.05	(4,460,502.36)
1961-1962	39,358,028.42	35,740,677.08	(843,151.02)
1962-1963	42,102,223.96	39,016,932.42	2,242,140.52
1963-1964	42,147,295.91	40,622,538.82	3,766,897.61
1964-1965	45,448,317.61	47,842,724.34	1,372,490.88
1965-1966	48,572,708.96	44,864,623.82	5,080,576.02
1966-1967	50,646,428.54	49,717,520.97	6,009,483.59
1967-1968	53,138,427.75	57,135,093.09	2,012,818.25
1968-1969	66,249,267.96	64,585,357.86	3,676,710.35

* Balance at the beginning of fiscal 1946 was $922,633.41.

Source: Budget Director, State Capitol Building, Helena, Montana.

Determinants of Revenue and Expenditures

The revenue generated by a tax system depends on the economic base which is its source, given the tax laws and rate structure. Revenue varies directly with changes in the numbers of taxpayers and in their incomes, with changes in their wealth and changes in their purchases of taxed goods and services. The most basic factors are, of course, the numbers of people and their incomes, as total private wealth and expenditures bear a close relationship to the size of the working population and their per capita income. In recent years, changes in working population and per capita income in Montana have been unfavorable compared with the experience of the rest of the nation.

Expenditures depend on the amount and variety of services which government provides, on the quality and price of the services and on the numbers of people receiving such services. In the postwar period people in Montana, like people everywhere, have come to demand an increasing amount and variety of services of higher quality than was expected in the past. Some of this can probably be attributed to the rising expectations of the times, reflected in similar increases in public services throughout the nation. The rise in the amount and variety of government services in Montana during the last two decades has probably been closely related to increasing urbanization in the state. In addition, the unit cost of such services has tended to rise along with the general price level. The cost has also risen with improvements in quality, particularly since the prices of such services are determined in national markets over which Montana has no control. This is especially true of professional workers in government and fully trained teachers, types of services for which demand has grown substantially. For example, some people may find it hard to understand why the university system may have to pay $12,000 or more for a 26 year old man who has never had a full-time job before in his life. But if universities throughout the nation are offering $12,000 for such a man it is clear that Montana must either match these opportunities which are available elsewhere or accept a lower quality professor. The numbers of recipients of public services have also increased enormously through population growth. The principal factor here has been the high birth rate of the postwar years and the consequent effect upon expenditures for education.

Income Trends Since World War II

Examination of the trend of per capita personal income, the most fundamental measure of tax paying capacity, indicates that in recent years Montana's experience has been unfavorable compared with the United States as a whole. Per capita personal income in Montana declined from 113 percent of the national average in 1948 to 85.5 percent in 1968.

Personal income depends on people's productivity in the sense that it is the amount of money which the market is willing to pay them for the use of their services and the services of their property. By far the largest component of income is that paid to people--to the human factor of production. For example, out of the total of $1,939 million in personal income which Montanans received in 1967, $1,474 million or 76 percent represented income received by persons for participation in current production.[1]

Property income of $286 million accounted for only 14.8 percent. The remainder of $179 million or 9.2 percent, represented transfer payments which include pensions, social security, bad debts and similar items for which the recipients make no contribution to production during the current year.

Determinants of Income

A man's income depends on the market's evaluation of his productivity which is related to his personal capabilities. But his productivity is also a function of the capital and other resources with which he works, and of the technology employed. Since the nation's capital and other mobile resources are free to go wherever profit opportunities beckon and since nothing much can be done about the natural resources, it follows that in the long run changes in per capita income in Montana depend mainly on the state's human capital. To analyze the role of the human factor of production it is necessary to know what proportion of the population is made up of working age persons who are able to earn income and pay taxes, as compared with proportion of older and younger persons who are dependent on the workers for their support. It is also necessary to examine the sex, occupational and educational characteristics of the labor force as well as the industry structure in which the labor force is employed, since all of these factors influence the level of per capita income.

Population Characteristics. Table 2.2 shows the proportions in which the population of Montana has been divided among working and dependent age groups in each of the five census years beginning in 1920, compared with the same data for the United States as a whole. Both in Montana and in the nation the proportion of dependent population in age groups (0-19) and (65 +) has been rising in recent years, while the proportion in the working age group (20-64) has been falling. Thus a declining proportion of workers in the population has faced the growing burden of having to support a rising proportion of dependents. This situation which, of course, existed throughout the entire nation, was the consequence of the low birth rate of the depression years which resulted in a relatively small number of working age population during the 1950s and the 1960s. Following World War II the birth rate increased rapidly. The dependency rate in recent years has also increased in the entire nation through the survival of larger numbers of older people.

The Effect of Migration. Since changes in birth rates and in the survival of retired persons occurred throughout the United States these factors probably cannot alone explain why persons of working age represented a smaller proportion of total population in Montana in 1960 than in the nation as a whole. It appears that out migration was a major factor in bringing about the change in the proportion of working age population, during the decade of the 1950s. From 1950 to 1960 Montana suffered a net loss through migration of more than 14,000 persons who were between the ages of 20 and 64 years of age.[2] This out migration of working age persons appears to have been due to the decrease in the need for human resources in agriculture and to the limited extent to which industrial expansion occurred in the cities.

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[1] Survey of Current Business, August 1968, p. 20.

In the face of declining farm incomes, combined with industrial expansion in the cities, migration has taken place both out of the state itself and from the rural areas of Montana to Montana cities. The migration within Montana from 1950 to 1960 reflects the process of industrial change in the state. All of the counties of the state except ten suffered net losses of population between 1950 and 1960. The following list of counties that have gained population and their county seats shows what has been going on.[3]

County	1950-1960 Net Migration	County Seat
Cascade	7,011	Great Falls
Dawson	474	Glendive
Gallatin	222	Bozeman
Hill	393	Havre
Lincoln	1,630	Libby
Meagher	315	White Sulphur Spg.
Mineral	550	Superior
Missoula	2,392	Missoula
Valley	2,877	Glasgow
Yellowstone	9,531	Billings
Total	25,395	

In most cases readers will be able to identify particular industries or economic activities which accounted for these changes. In general it is part of the national process of industrialization and urbanization.

The entire state lost 25,115 persons by migration during that decade.[4] One reason that the migration observed here has not resulted in a greater

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2. Net Migration of the Population, 1950-1960 by Age, Sex, and Color. Volume 1, States, Counties, Economic Areas and Metropolitan Areas, Part 6, Western States, Economic Research Service, U.S. Department of Agriculture in cooperation with Research Foundation, Oklahoma State University and Area Redevelopment Administration, U.S. Department of Agriculture, Table 1, p. 927.

3. Loc. cit., Table 2, pp. 928-937.

4. Ibid., Table 1, p. 927.

easing of the farm income situation is that a large proportion of the migrants were young people who left the farms and the state during the period of their education or on completion of it. Older people are not migrating at comparable rates.

Table 2.2 indicates that the rise in the proportion of dependent population and the corresponding decline in the proportion of workers has been more marked in Montana than in the nation as a whole. In 1960 in the United States workers representing 52.3 percent of the entire population were supporting dependents representing 47.7 percent. The total population of Montana in 1960 was 674,767[5] of which the population in age group (20-64) amounted to 331,388, or 49.1 percent. Thus in Montana a working age population representing a minority of 49.1 percent was obliged to support a dependent majority of 50.9 percent. Other things being equal, the disproportionately small size of the working age population tends to reduce per capita income and tax paying capacity in the state compared with the entire United States. For example, if Montana's 1960 population of 674,767 had included 52.3 percent of persons in age group 20-64, as in the United States as a whole, the state would have had 352,903 persons of working age instead of 331,388, an increase of 21,515. If it is assumed that two-thirds of these additional working age people were employed at an average annual income of $5,000 it would have increased the income and the tax paying capacity of Montana's citizens by $72 million.

Sex Characteristics of the Labor Force. During the forty years from 1920 to 1960 total population in Montana grew only 23 percent, compared with 70 percent in the United States and 68 percent in the five Rocky Mountain states of Colorado, Idaho, Montana, Utah, and Wyoming.[6] But more importantly for per capita income, Montana's population and labor force underwent basic structural changes during these years. Table 2.3 shows the changes which occurred in the sex structure of Montana's population and labor force over the census years from 1920 to 1960 compared with similar changes in the United States and the five Rocky Mountain states.

In terms of the effect on per capita income the most important fact which emerges from the data in Table 2.3 is that while the Montana labor force increased from 213,840 in 1920 to 254,401 in 1960, an increase of 19 percent, the male labor force actually decreased from 185,595 to 181,021. One significant aspect of these changes for per capita income is that a growing proportion of the labor force came to be represented by women.

Effect of Changing Sex Ratios. The entry of larger numbers of women into the labor force can have varying effects on per capita income,

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[5] See Table 2.3.

[6] Computed from Table 2.3.

TABLE 2.2

Age Distribution of Population
1920 - 1960

(percent)

Montana

Age Class	1920	1930	1940	1950	1960
I (0 - 19)	40.4	39.0	34.5	35.7	41.2
II (20 - 64)	56.6	56.0	59.0	55.7	49.1
III (65+)	3.0	5.0	6.5	8.6	9.7
	100.0	100.0	100.0	100.0	100.0

United States

Age Class	1920	1930	1940	1950	1960
I (0 - 19)	40.8	38.8	34.5	33.9	38.5
II (20 - 64)	54.5	55.8	58.7	57.9	52.3
III (65+)	4.7	5.4	6.8	8.2	9.2
	100.0	100.0	100.0	100.0	100.0

Source: *1960 Census of Population, United States Summary, Volume I, Part I,* Table 47, p. 153; *Part 28, Montana,* Table 17, p. 28.

depending on differences in accompanying circumstances. In analyzing these effects it is necessary first to distinguish between changes in per capita income in Montana in an absolute sense and changes in per capita income in Montana compared with similar changes in the nation as a whole.

In the absolute sense the entry of women with low earnings into the labor force of a given state inevitably increases per capita income if the number of men remains unchanged, even though the women come to represent an increasing proportion of the total labor force. However, an increasing proportion of women lowers per capita income if the women entering the labor force replace men who enjoy higher average earnings. In this situation the lower incomes of women, in effect, dilute the income level.

However, in the case of comparisons of per capita income in Montana with per capita income in the United States an additional factor must be considered. Then the question becomes, "How rapidly and in what manner are these changes occurring in Montana compared with the nation as a whole?" If women enter the labor force in Montana without replacing men, at a less rapid rate than in the nation as a whole per capita income in Montana will fall relative to per capita income in the nation even though Montana's per capita income is rising in the absolute sense. The opposite situation would raise per capita income in Montana compared with the entire country. In a similar fashion if women replace higher paid men in Montana at a more or at a less rapid rate than in the nation as a whole the effect would be to lower Montana's relative per capita income in the first case and to raise it in the second, even though in both cases per capita income in Montana inescapably declines in the absolute sense. It is possible to determine the probable nature of the changes which actually occurred in Montana's experience and to relate these developments to the changes in Montana's per capita income compared with the United States.

Working Women in Montana. The entry of women into the labor force in Montana has added less to per capita income than in the nation as a whole. There are two reasons for this. The first reason is that a smaller proportion of Montana women participate in the labor force than in the nation generally. In Montana only 32.6 percent of women over the age of 14 were included in the labor force in 1960 compared with 34.5 in the United States.[7] The second reason is that women in Montana do not earn as much as the national average for women workers. Median annual earnings of women in Montana in 1959 were $1,785 compared with $2,257 in the United States, or a difference on $472 per annum.[8] It is interesting to speculate that if each of the 68,063 women employed in Montana in 1960 had earned an extra $472 to bring them up to the national average it would have added $32,125,736 to total income in the state.

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[7] 1960 Census of Population, Volume 1, Characteristics of Population, Part 1, United States Summary, Table 194, p. 487; Part 28, Montana, Table 115, p. 213.

[8] See Table 2.8.

The Declining Male Labor Force. Table 2.3 indicates that while the male labor force in Montana declined steadily from 86.8 percent of the total in 1920 to 71.2 percent in 1960 a similar shift occurred in the United States as a whole. The nationwide change clearly reflects the increase in the numbers of working women since the male labor force in the nation was also increasing. But in Montana the number of men employed actually decreased. The difference between Montana's experience and that of the nation as a whole is especially clear in Table 2.4 where changes in labor force and male labor force from 1920 to 1960 are shown as index numbers. Thus it is seen that while the male labor force in the United States and the Rocky Mountain states increased from 100 to 144.7 and 139.3 respectively, in Montana it decreased to 97.5.

Such a dramatic contrast naturally leads to the question of why Montana's experience should have been so different from that of the nation generally. Some clues to an answer appear in Table 2.3. The high proportion of males in 1920, 54.6 percent of the total population and 86.8 percent of the labor force, reflects the overwhelming extent to which the Montana economy was devoted to production of primary products in agriculture, mining and forestry. Even as late as 1940 two out of every five employed workers in the state were engaged in agriculture, forestry, and mining.[9] At the time those industries required the manual labor of large numbers of vigorous, relatively unskilled males. But during the ensuing years enormous amounts of capital in the form of labor saving machinery replaced much of the human factor of production in all industries. This technological revolution was especially spectacular in agriculture, mining, and forestry. The rapid rate at which capital replaced labor in the primary product industries resulted in a relatively large decline in Montana's male labor force simply because such industries represented so great a proportion of the state's total labor requirements.

To the extent that men displaced by technological change did not find work outside Montana, or if they chose not to leave, their presence would tend to depress earnings in the Montana labor market generally. Perhaps this factor, together with a similar reluctance to migrate on the part of young people and others who wish to remain here even at high personal cost, may in part explain why earnings in Montana fell short of the national average. Seasonal factors related to the weather also tend to reduce per capita earnings in Montana compared with the nation as a whole. Median earnings of males in Montana in 1959 amounted to $4,397 or $224 short of the United States median of $4,621.[10] If each of the 163,207 males over the

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[9] See Table 2.5.

[10] 1960 Census of Population, Volume 1, Characteristics of Population, Part 1, United States Summary, Table 215, pp. 573-574; Part 28, Montana, Table 130, pp. 257-258.

TABLE 2.3

Population and Male Population, Labor Force (14 years and over) and Male Labor Force
in Montana, in the United States, and in Five Rocky Mountain States
1920, 1930, 1940, 1950, 1960

Year	Population	Male Population	Male Population as a Percent of Population	Labor Force	Male Labor Force	Male Labor Force as a Percent of Labor Force
Montana						
1960	674,767	343,238	50.9	254,401	181,021	71.2
1950	591,024	309,423	52.4	232,151	181,240	78.1
1940	559,456	299,009	53.4	224,994	186,055	82.7
1930	537,606	293,228	54.5	216,173	183,945	85.1
1920	548,889	299,941	54.6	213,840	185,595	86.8
United States						
1960	179,325,671	88,303,113	49.2	69,877,481	47,467,721	67.9
1950	151,325,798	75,186,606	49.7	60,329,231	43,765,553	72.5
1940	132,165,129	66,349,730	50.2	53,010,582	40,123,366	75.7
1930	122,775,046	62,137,080	50.6	48,594,592	37,915,544	78.0
1920	105,710,620	53,900,431	51.0	41,236,185	32,806,478	79.6
Five Rocky Mountain States (Colorado, Idaho, Montana, Utah, Wyoming)						
1960	4,316,576	2,165,780	50.2	1,634,716	1,145,778	70.1
1950	3,484,141	1,780,298	51.1	1,326,138	1,008,556	76.1
1940	3,008,677	1,558,041	51.8	1,119,336	908,481	81.2
1930	2,751,841	1,446,111	52.6	1,042,009	865,080	83.0
1920	2,564,182	1,369,001	53.4	961,953	822,680	85.5

Sources: 1960 Census of Population, United States Summary, Volume I, Part 1, Characteristics of Population, Table 51, p. 100; Part 7, Colorado, Table 53, p. 106; Part 14, Idaho, Table 53, p. 89; Part 28, Montana, Table 53, p. 98; Part 46, Utah, Table 53, p. 77; Part 52, Wyoming, Table 53, p. 64.

1950 Census of Population, United States Summary, Volume II, Part 1, Characteristics of Population, Table 51, p. 100; Part 6, Colorado, Table 26, p. 39; Part 12, Idaho, Table 26, p. 35; Part 26, Montana, Table 26, p. 31; Part 44, Utah, Table 26, p. 31; Part 50, Wyoming, Table 26, p. 28.

TABLE 2.4

Changes in Labor Force and Male Labor Force in Montana, in the United States and in Five Rocky Mountain States 1920 and 1960

(1920 = 100)

Labor Force

	1920	1960
Montana	100.0	119.0
United States	100.0	169.5
Rocky Mountain States	100.0	170.0

Male Labor Force

	1920	1960
Montana	100.0	97.5
United States	100.0	144.7
Rocky Mountain States	100.0	139.3

Source: Table 3.

age of 14 who were employed in Montana in 1960 had earned an extra $224 to bring them up to the national average total income in the state would have been higher by $36,558,368. The next section examines changes which have occurred in the industrial structure of the state.

Industrial Structure of the Labor Force. Changes in the distribution of the Montana labor force among various industries in the state afford a broad picture of the relative growth which has occurred in these industries. A comparison of the average earnings of workers in different industries also sheds light on the manner in which the industrial structure of employment influences per capita income. If industries and occupations with high average earnings are growing less rapidly than those whose members are relatively ill-paid the result is unfavorable for per capita income, while the reverse situation, of course, has the opposite effect.

Table 2.5 presents some comparisons of the industrial distribution of the employed labor force in Montana, in the United States and in five Rocky Mountain states for 1940, 1950, and 1960. The percentages which appear to the right of the numbers of workers in each industry during a particular year show the proportion of the total employed labor force represented by each industry for that year. For example, beginning with agriculture, forestry, and fisheries in 1940 it is seen that the 59,768 workers employed in these pursuits in Montana represented 32.37 percent of the employed labor force in the state in that year. Moving to the right of the 1940 figures it is seen that this percentage declined to 25.17 in 1950 and to 17.66 in 1960. Beneath the Montana data similar figures for the United States and for the five Rocky Mountain states provide a comparison of Montana's experience with that of the entire nation and with the Rocky Mountain area. Thus, it may be noted that in Montana in each of the three census years a far larger proportion of the labor force was devoted to agriculture, forestry and fisheries than in either the United States as a whole or in the Rocky Mountain region. Since forestry represented a small part of this category and commercial fisheries were virtually nonexistent, these data mainly reflect the persistent predominance of agriculture in the Montana economy.

In order to afford a broad comparison of the growth which occurred in different industries in the two decades of the 1940s and 1950s Table 2.6 presents the employed labor force data from Table 2.5 in the form of index numbers using 1940 as the base. For the sake of convenient reference the percentages of total employed labor force represented by each industry in 1960 are reproduced from Table 2.5.

The two tables show that employment in Montana continued to depend more heavily on agriculture than in either the United States or in the Rocky Mountain states. In 1960 Montana also had a far larger proportion of workers in mining than the nation as a whole though a slightly smaller proportion than the Rocky Mountain states. In contract construction, in trade, and in finance, insurance and real estate the proportions were not greatly different from those in the nation generally. The relatively small proportions of Montanans employed in service industries and in manufacturing are indications of the limited extent of the state's industrialization and

TABLE 2.5

Employed Labor Force by Industrial Groups and Percent of Employed Labor Force in Each Industrial Group, Montana, United States, and Five Rocky Mountain States (Colorado, Idaho, Montana, Utah, Wyoming) 1940, 1950, and 1960

	1940 Amount	Percent	1950 Amount	Percent	1960 Amount	Percent
Agriculture, Forestry, & Fisheries						
Montana	59,768	32.37	54,913	25.17	40,844	17.66
United States	8,559,134	18.92	7,033,591	12.45	4,349,884	6.70
Rocky Mountain States	246,932	26.83	234,457	18.95	168,355	11.12
Mining						
Montana	13,526	7.32	9,301	4.26	6,782	2.93
United States	918,853	2.03	930,968	1.65	654,006	1.01
Rocky Mountain States	52,542	5.71	45,784	3.70	47,282	3.12
Contract Construction						
Montana	8,918	4.83	14,772	6.77	14,911	6.45
United States	2,087,564	4.61	3,457,980	6.12	3,815,937	5.88
Rocky Mountain States	46,496	5.05	94,553	7.64	106,974	7.07
Manufacturing						
Montana	13,832	7.49	18,681	8.56	23,439	10.13
United States	10,670,087	23.58	14,685,482	25.99	17,513,086	26.97
Rocky Mountain States	83,307	9.05	131,639	10.64	211,471	13.97
Transportation & Utilities						
Montana	15,153	8.21	22,765	10.43	21,013	9.09
United States	3,143,227	6.95	4,449,861	7.88	4,458,147	6.87
Rocky Mountain States	80,505	8.75	123,428	9.97	125,584	8.30
Wholesale Trade						
Montana	4,253	2.30	6,195	2.84	7,465	3.23
United States	1,203,751	2.66	1,965,036	3.48	2,212,984	3.41
Rocky Mountain States	27,793	3.02	44,586	3.60	56,025	3.70
Retail Trade						
Montana	25,025	13.55	35,219	16.14	39,629	17.14
United States	6,294,042	13.91	8,542,295	15.12	9,579,651	14.75
Rocky Mountain States	135,779	14.75	200,697	16.22	249,296	16.47
Finance, Insurance, & Real Estate						
Montana	3,530	1.91	5,006	2.29	8,035	3.47
United States	1,474,681	3.26	1,919,610	3.40	2,694,630	4.15
Rocky Mountain States	23,464	2.55	36,228	2.93	60,600	4.00
Services						
Montana	23,485	12.72	29,440	13.49	38,985	16.86
United States	8,574,153	18.95	10,092,646	17.86	13,549,947	20.87
Rocky Mountain States	135,448	14.72	186,335	15.06	262,166	17.32
Government						
Montana	14,599	7.91	18,254	8.37	25,056	10.83
United States	1,415,283	3.13	2,514,469	4.45	3,202,890	4.93
Rocky Mountain States	73,258	7.96	120,838	9.76	183,691	12.13
Not Reported						
Montana	2,575	1.39	3,634	1.67	5,111	2.21
United States	729,540	1.60	843,335	1.50	2,608,085	4.02
Rocky Mountain States	14,826	1.61	18,822	1.52	42,412	2.80
Total						
Montana	184,664	100.00	218,180	100.00	231,270	100.00
United States	45,070,315	100.00	56,435,273	100.00	64,639,247	100.00
Rocky Mountain States	920,350	100.00	1,237,367	100.00	1,513,856	100.00

Source: 1960 Census of Population, United States Summary, Volume I, Part 1, Characteristics of the Population, Table 92, p. 223; Part 7, Colorado, Table 62, p. 114; Part 14, Idaho, Table 62, p. 97; Part 28, Montana, Table 62, p. 106; Part 46, Utah, Table 62, p. 85, Part 52, Wyoming, Table 62, p. 72.

urbanization. In view of Montana's sparse population, combined with a large land area, it is perhaps not surprising that relatively large proportions of the labor force were employed in transportation and in government.

Since average incomes often vary substantially from one industry to another the proportions of workers in different industries are primarily significiant for their bearing on per capita income at any given time. By the same tokens, changes in industry structure may be expected to cause changes in per capita income over time. Some of the changes which appear in the index numbers in Table 2.6 are unfavorable, while others appear to be relatively favorable. Definitely unfavorable for per capita income was the relatively slow rate at which people were able to get out of agriculture. The absolute as well as relative decline of employment in mining was especially harmful in its effect on per capita income, as workers in that industry enjoy relatively high earnings. The same could be said of the decline of employment in transportation from 1950 to 1960 and the relatively small growth of the labor force in construction, wholesale trade, and government. On the other hand, the Montana labor force in manufacturing, in retail trade, in finance, insurance and real estate and in services increased by relatively large amounts compared with the United States as a whole. These latter developments would appear at first glance to be wholly favorable in their effect on per capita income as average earnings in most branches of these industries are considerably higher than in farming. However, before the actual effect of such changes can be determined it is necessary to look at the amount of earnings which people receive in the employments which are contracting compared with earnings in those industries which are growing.

Comparative Earnings in Montana Industries. Table 2.7 shows the numbers of workers of both sexes who received earnings in various Montana industries in 1949 and 1959 and the changes which occurred over the period. Table 2.8 shows the median earnings which men and women received in these industries in 1959 and the changes which occurred from 1949 to 1959 in the numbers of both men and women receiving such earnings.

The data in Table 2.8 along with background perspectives afforded by Table 2.3, 2.5, and 2.6 indicate a number of developments which have tended to reduce per capita income in Montana, compared with average per capita income in the United States. The contrast between the earnings of men and women in the same industries is immediately apparent.

It might seem at first that Montana's relative per capita income should have been favorably influenced by the decline of 9,338 in the number of persons receiving earnings in agriculture. Agriculture experienced by far the largest absolute decline in the number of workers and these were among the most ill-paid in the state. Should not the elimination of large numbers of low income workers raise average incomes compared with the rest of the nation? One reason why it did not have this effect was the the same change was taking place elsewhere; and in the nation as a whole it occurred to a much larger extent than in Montana. Table 2.5 and 2.7 show that the proportion of farm workers declined much more rapidly in the United States than in

TABLE 2.6

Index of Employed Labor Force by Industrial Groups in Montana, in the United States and in Five Rocky Mountain States (Colorado, Idaho, Montana, Utah, Wyoming)
1940, 1950, 1960

(1940 = 100)

	1940	1950	1960	Percent of Total in 1960
Agriculture, Forestry, & Fisheries				
Montana	100	91.9	68.3	17.66
United States	100	82.2	50.8	6.70
Rocky Mountain States	100	94.9	68.2	11.12
Mining				
Montana	100	68.8	50.1	2.93
United States	100	101.3	71.2	1.01
Rocky Mountain States	100	87.1	90.0	3.12
Contract Construction				
Montana	100	165.6	167.2	6.45
United States	100	165.6	182.8	5.88
Rocky Mountain States	100	203.4	230.1	7.07
Manufacturing				
Montana	100	135.1	169.5	10.13
United States	100	137.6	164.1	26.97
Rocky Mountain States	100	158.0	253.8	13.97
Transportation & Utilities				
Montana	100	150.2	138.7	9.09
United States	100	141.6	141.8	6.87
Rocky Mountain States	100	153.3	156.0	8.30
Wholesale Trade				
Montana	100	145.7	175.5	3.23
United States	100	163.2	183.8	3.41
Rocky Mountain States	100	160.4	201.6	3.70
Retail Trade				
Montana	100	140.7	158.4	17.14
United States	100	135.7	152.2	14.75
Rocky Mountain States	100	147.8	183.6	16.47
Finance, Insurance, & Real Estate				
Montana	100	141.8	227.6	3.47
United States	100	130.2	182.7	4.15
Rocky Mountain States	100	154.4	258.3	4.00
Services				
Montana	100	125.4	166.0	16.87
United States	100	117.7	158.0	20.87
Rocky Mountain States	100	137.6	193.6	17.32
Government				
Montana	100	125.0	171.6	10.83
United States	100	177.7	226.3	4.93
Rocky Mountain States	100	165.0	250.7	12.13
Total				
Montana	100	118.1	125.2	100.00
United States	100	125.2	143.4	100.00
Rocky Mountain States	100	134.4	164.5	100.00

Source: Table 5.

TABLE 2.7

Changes in Numbers of Persons with Earnings in Each Industrial Group
1949-1959

	Male			Female		
	1949	1959	Change 1949-1959	1949	1959	Change 1949-1959
Agriculture	43,930	34,592	-9,338	1,340	1,421	81
Forest & Fisheries	850	1,300	450	110	317	207
Mining	9,035	6,798	-2,237	155	247	92
Contract Construction	15,480	16,597	1,117	300	360	60
Manufacturing	16,645	23,395	6,750	1,285	2,196	911
Transportation, etc.	19,525	18,445	-1,080	2,190	3,107	917
Wholesale & Retail Trade	25,295	29,557	4,262	12,610	17,052	4,442
Finance	2,750	4,431	1,591	1,890	3,519	1,629
Business Services	5,335	4,159	-1,176	475	535	60
Personal Services	3,420	3,775	355	5,805	9,168	3,363
Entertainment	1,220	1,098	122	445	786	341
Professional Services	6,990	11,390	4,400	10,200	18,683	8,483
Public Administration	7,015	8,852	1,837	2,695	3,750	1,055
Not Reported	3,665	2,814	-851	1,200	1,755	555
All	161,155	167,113	5,958	40,700	62,896	22,196

Sources: 1960 Census of Population, Vol. I, Part 28, Table 130, pp. 257-258.

1950 Census of Population, Reprint of Vol. II, Part 26, Montana, PC(26), Table 86, pp. 136-137.

TABLE 2.8

Median Earnings of Persons in Montana and in the United States
by Industrial Groups and Sex, 1959

	Male	Change in Number of Persons 1949-1959	Female	Change in Number of Persons
Agriculture				
Montana	$2,739	-9,338	$1,025	81
United States	1,778		718	
Forestry & Fisheries				
Montana	4,850	450	3,342	207
United States	2,853		1,956	
Mining				
Montana	4,252	-2,237	3,384	92
United States	4,943		3,783	
Contract Construction				
Montana	4,809	1,117	3,080	60
United States	4,370		3,016	
Manufacturing				
Montana	4,546	6,750	2,024	911
United States	5,135		2,734	
Transportation & Utilities				
Montana	5,319	-1,080	3,019	917
United States	5,285		3,464	
Wholesale & Retail Trade				
Montana	4,436	4,262	1,590	4,442
United States	4,201		1,729	
Finance, Insurance, & Real Estate				
Montana	5,787	1,591	2,596	1,629
United States	5,664		2,931	
Business Services				
Montana	4,208	-1,176	1,670	60
United States	4,240		2,470	
Personal Services				
Montana	2,850	355	783	3,363
United States	2,975		871	
Entertainment & Recreational Services				
Montana	2,169	122	754	341
United States	3,175		1,464	
Professional Services				
Montana	4,992	4,400	2,228	8,483
United States	4,917		2,644	
Public Administration				
Montana	5,076	1,837	3,134	1,055
United States	5,306		3,600	
Industry Not Reported				
Montana	3,624	-851	1,539	555
United States	4,007		2,141	
All Workers				
Montana	4,397	5,958	1,785	22,196
United States	4,621		2,257	

Sources: 1960 Census of Population, United States Summary, Volume I, Part 1, Characteristics of the Population, Table 215, pp. 573-574; Part 28, Montana, Table 130, pp. 257-258.

1950 Census of Population, Detailed Characteristics, Montana, PC(26), Reprint of Volume II, Part 26, Chapter C, Table 86, pp. 136-137.

Montana. It is interesting to note in passing that in Montana both men and women earned much more in agriculture employments than the national average. Thus, other things being equal, the elimination of a comparatively well paid farm job in Montana actually tended to reduce the state's relative per capita income compared with the elimination of a less well paid farm job somewhere else.

Further examination of Table 2.8 reveals a number of changes during the decade which tended to reduce per capita income in Montana. There were absolute declines of 2,237 male workers in mining with median earnings of $4,252; 1,080 in transportation, and utilities earning $5,319; 1,176 in business services earning $4,208 and 851 in unreported industries with median earnings of $3,624. The experience in railroading was especially unfavorable with a loss of 3,441 males who had had median earnings of $5,347. The total decline in "transportation and utilities" was limited to the relatively small number of 1,080 males only because the much larger loss of railroad workers was offset by a gain in utilities.

Some industries also enjoyed substantial increases in numbers of male employees with high median incomes. Forestry and related manufacturing activity represented one of the brighter spots. The 450 new male employees with median incomes of $4,850 listed under "forestry and fisheries" were in addition to workers in logging and lumber mills which are classified as "manufacturing" in the census data. The lumber industry accounted for 3,316 of the 6,750 new males in manufacturing who received median earnings of $4,546 in 1959. Thus lumbering has been one of the state's most rapidly growing industries. Although Table 2.6 shows that although the employed labor force in manufacturing in Montana grew slightly more rapidly than the national average from 1950 to 1960 it could not significantly boost relative per capita income because it accounted for only a little over 10 percent of the total employed labor force in Montana compared with nearly 27 percent nationally.

Wholesale and retail trade showed substantial growth in the numbers of workers but over half of these were women earning only slightly over a third as much as the men. This dilution of income per employee by the changing sex ratio was also apparent in several other industries whose substantial growth reflected increasing urbanization of the state's economy. Finance, insurance and real estate added more women than men and they earned less than half as much as the men. Professional services added almost twice as many women as men and these women also earned less than half as much. Of the 3,363 women added in the "Personal services" category, 2,622 were working in households with median annual earnings of $584. In general, comparison of the earnings of men and women indicates that changes in the sex ration of Montana's labor force have had the effect of retarding the growth of income per employee. To the extent that this change has occurred to a greater degree in Montana than in the nation as a whole it tends to retard the growth of per capita income in Montana compared with the United States.

Income Changes in Montana

The age distribution and educational attainments of Montana's employed population and the sex ratio and industrial distribution of the state's

TABLE 2.9

Industrial Sources of Income Received by Persons for Participation in Production 1948 and 1967, Percentage of Total Participation Income 1948 and 1967, and Percentage Changes 1948-1967, Montana, United States, and Five Rocky Mountain States
(Millions of Dollars)

	1948		1967		Percentage Changes 1948-1967
	Amount	Percent	Amount	Percent	
Farms					
Montana	273	35.83	236	16.01	-13.6
United States	20,480	11.78	17,166	3.51	-16.2
Rocky Mountain States	929	23.92	817	7.78	-12.1
Mining					
Montana	44	5.77	48	3.26	9.1
United States	3,918	2.25	5,180	1.06	32.2
Rocky Mountain States	205	5.28	353	3.57	72.2
Contract Construction					
Montana	37	4.86	108	7.33	191.9
United States	9,873	5.68	30,155	6.16	205.4
Rocky Mountain States	249	6.41	734	6.98	194.8
Manufacturing					
Montana	58	7.61	161	10.92	177.6
United States	50,179	28.87	148,910	30.43	196.8
Rocky Mountain States	421	10.84	1,620	15.41	284.8
Wholesale & Retail Trade					
Montana	133	17.45	252	17.10	89.5
United States	33,923	19.51	83,950	17.16	147.5
Rocky Mountain States	789	20.31	1,908	18.14	141.8
Finance, Insurance, & Real Estate					
Montana	15	1.97	58	3.93	286.7
United States	6,418	3.69	25,710	5.25	300.6
Rocky Mountain States	104	2.68	509	4.84	388.5
Transportation, Communication, & Public Utilities					
Montana	80	10.50	147	9.97	83.8
United States	14,612	8.41	35,418	7.24	142.4
Rocky Mountain States	407	10.48	916	8.71	124.8
Services					
Montana	59	7.74	192	13.03	225.4
United States	19,141	11.01	71,644	14.64	274.3
Rocky Mountain States	371	9.55	1,519	14.44	309.4
Government					
Montana	63	8.27	265	17.98	320.6
United States	14,634	8.42	69,698	14.24	376.3
Rocky Mountain States	404	10.40	2,104	20.00	420.8
Other					
Montana	-------	-----	6	.41	-----
United States	658	.38	1,470	.30	123.4
Rocky Mountain States	5	.13	36	.33	620.0
Total					
Montana	762	100.00	1,473	100.00	93.4
United States	173,836	100.00	489,301	100.00	181.5
Rocky Mountain States	3,885	100.00	10,516	100.00	170.7

Source: Unpublished revised data supplied by U.S. Department of Commerce, Office of Business Economics.

labor force are the main factors which explain the per capita income that the people are able to achieve with the natural resources and capital at their disposal compared with the level of per capita income in the entire country. Thus examination of the changes which have occurred in the industrial sources of Montana income should show such income changes to be generally consistent with the shifts in distribution of the labor force. Table 2.9 shows the amounts of income received by Montanans for participation in production in various industries in 1948 and in 1967, the percentages which income in each industry represents of total participation income in each of the two years, and the percentage by which income in each industry changed from 1948 to 1967. For purposes of comparison the table presents the same data for the United States and for the five Rocky Mountain states. For convenience in making comparisons the percentage changes in income shown in Table 2.9 are reproduced in Table 2.10. These income data have the advantage that they show changes from year to year and are kept current, whereas census data are limited to census years which occur only once every decade.[11] Nevertheless, the income data in Table 2.9 are generally consistent with the trends indicated by the census material in Tables 2.2 through 2.8.

Montana's heavy dependence on primary products is again apparent. Farms and mining accounted for nearly 42 percent of participation income in 1948 and still represented nearly 20 percent in 1967. Adding manufacturing, which in Montana is represented almost entirely by lumber and other primary products, reveals that even in 1967 the economy was dependent on primary products for 30 percent of its participation income. These income data, like the labor force data, indicate Montana's continued heavy dependence on agriculture and her failure to achieve anything like the rates of industrialization experienced in the nation as a whole. Tables 2.9 and 2.10 show that during the last two decades the proportions of participation income in agriculture have decreased less in Montana than in the United States, while in every other industrial category participation income in the nation has risen faster than in Montana. Montana has enjoyed increased income in every industry except farms, but in all cases at rates below the national average and that of the Rocky Mountain states. Even though government appears to have been Montana's most rapidly growing industry its growth has not matched either the national or the Rocky Mountain average.

Table 2.11 shows the changes which occurred from year to year in the industrial sources of participation income in Montana over the entire period from 1948 through 1967. At the bottom of the column for each industry the percentage changes in income for the period are again shown for Montana and the United States. The picture which emerges is the same as that which appeared in the earlier tables. Montana is moving away from her heavy dependence on agriculture less rapidly than the nation as a whole; while the so-called growth industries which yield much higher per capita incomes have been growing less rapidly in Montana than elsewhere.

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[11] It is hoped that the census data in Tables 2.2 through 2.8 can be brought up to date when the 1970 census returns are available.

TABLE 2.10

Percent Changes in Industrial Sources of Participation Income in Montana, in the United States, and in Five Rocky Mountain States (Colorado, Idaho, Montana, Utah, Wyoming) 1948-1967

	Montana	United States	Five Rocky Mountain States
Farms	-13.6	-16.2	-8.4
Mining	9.1	32.2	71.4
Contract Construction	191.9	205.4	202.1
Manufacturing	177.6	196.8	299.0
Trade	89.5	147.5	136.1
Finance, Insurance, & Real Estate	286.7	300.6	435.8
Transportation, Communication, & Public Utilities	83.8	142.4	129.0
Services	225.4	274.3	320.8
Government	320.6	376.3	424.7
Other	-----	123.4	1,650.0
Total	93.4	181.5	175.6

Source: Table 9.

TABLE 2.11

Industrial Sources of Civilian Income Received by Persons in Montana for Participation in Current Production[1]
(Millions of Dollars)

Year	Total	Farms	Mining	Contract Construction	Manufacturing	Wholesale & Retail Trade	Finance, Insurance, & Real Estate	Transportation, Communication, & Public Utilities,	Services	Government[2]	Other
1948	762	273	44	37	58	133	15	80	59	63	1
1949	653	132	42	45	60	140	16	83	65	71	1
1950	816	260	44	52	66	144	20	84	69	75	1
1951	900	279	54	58	72	163	22	97	75	80	1
1952	897	226	63	59	79	166	24	108	80	91	1
1953	922	230	68	52	84	170	28	108	85	95	2
1954	897	200	60	60	84	171	29	103	88	98	2
1955	978	219	73	58	100	182	33	108	98	104	2
1956	1,026	202	84	67	111	189	35	117	106	112	3
1957	1,054	213	72	65	106	204	36	121	111	123	3
1958	1,095	256	53	68	108	193	39	114	120	138	4
1959	1,045	173	47	76	110	202	43	118	125	147	4
1960	1,078	183	48	74	117	201	45	119	125	161	4
1961	1,048	118	48	80	119	206	45	121	130	177	4
1962	1,252	272	47	103	131	206	44	122	137	185	4
1963	1,231	219	51	98	137	211	46	121	141	202	4
1964	1,224	173	54	90	139	220	48	126	153	215	5
1965	1,331	208	56	102	150	231	53	133	165	228	6
1966	1,444	255	58	101	160	245	56	140	180	243	6
1967	1,474	236	48	108	161	252	58	147	192	265	6
Percentage Change 1948-1967											
Mont.	93.4	-13.6	9.1	191.9	177.6	89.5	286.7	83.8	225.4	320.6	.41
U.S.	181.5	-16.2	32.2	205.4	196.8	147.5	300.6	142.4	274.3	376.3	

Source: Table X and data supplied by Office of Business Economics, United States Department of Commerce.

[1] Includes wages and salaries, other labor income, proprietors' income.

[2] Excludes military.

The Predominance of Agriculture

All of the data relating to distribution of the labor force and sources of income indicate that Montana is heavily dependent on agriculture and that this dependence has not been decreasing as rapidly as in the case of the nation as a whole. Table 2.12 shows the changes which have occurred over a long period of years in the percentage of participation income derived from agriculture in Montana compared with the United States and the five Rocky Mountain states. Table 2.12 clearly shows why the state was so prosperous in the agriculture boom years immediately after the war when the year-end balance of the General Fund grew to more than $14.7 million. Farm products were commanding high prices and Montana had an abundance of such products for sale. Thus the income of persons participating in production of such products rose to a third or more of Montana's participation income at the peak of the boom. When Montana's experience in this respect is compared with that of the United States and the Rocky Mountain states it is seen that the same thing happened elsewhere but to a lesser extent, because of the smaller proportion of total economic activity represented by farming.

Agriculture in an Industrial Society

Analysis of the role of agriculture in an industrial society and to a lesser degree that of other primary product industries helps to explain past trends in per capita income and fiscal capacity in Montana compared with more industialized parts of the country. An understanding of agriculture's competitive position in a growing economy should also afford insights into the nature of present and probable future fiscal problems in Montana. To a large extent the net income of farms and ranches depends on prices received for the products they sell compared with prices paid for the industrial products which they buy. Since Montana is so heavily dependent on farm income the behavior of farm prices compared with industrial prices is crucial to the state's economic well being.

Industrialization of the nation's economy has involved the concentration of substantial proportions of total output in the hands of relatively small numbers of firms which by advertising and by their large size and small numbers have developed patterns of response to changes in demand which are just the opposite of the predominant agricultural response. When demand for industrial output declines the producers do not in most cases continue to offer the full output of which they are capable at whatever prices will clear the market of such output. It is well known that when markets become soft and the firms producing a vast majority of the nation's total industrial output tend to cut production by whatever amounts are necessary to maintain prices. Not so in agriculture.

No matter how large the output of the individual farmer or rancher his contribution is so small a part of the total market that he cannot have any influence on price even if he were to withdraw his entire output. Thus when prices fall the structure of the market denies him any incentive to reduce output. To do so would only lower his income. In

TABLE 2.12

Farm Participation Income as a Percentage of Total Income Received by Persons for Participating in Current Production in Montana, in the United States, and in Five Rocky Mountain States (Colorado, Idaho, Montana, Utah, Wyoming) 1929, 1940, 1946, 1948-1967

Year	Montana	United States	Five Rocky Mountain States
1929	17.9	11.1	20.7
1940	24.6	8.9	19.5
1946	34.4	11.7	24.2
1948	35.8	11.8	23.9
1949	20.2	9.2	18.4
1950	31.9	8.9	19.2
1951	31.0	8.9	20.0
1952	25.2	8.0	17.3
1953	24.9	6.7	14.3
1954	22.3	6.4	12.2
1955	22.4	5.5	11.3
1956	19.7	5.1	10.4
1957	20.2	4.9	11.7
1958	23.4	5.6	12.0
1959	16.6	4.6	9.9
1960	17.0	4.6	9.5
1961	11.3	4.8	8.0
1962	21.7	4.5	9.4
1963	17.8	4.4	8.2
1964	14.1	3.8	6.7
1965	15.6	4.2	8.6
1966	17.7	4.1	8.1
1967	16.0	3.5	7.8

Sources: For years 1929-1946, Personal Income by States Since 1929, United States Department of Commerce, Office of Business Economics, Table 64, pp. 207-210; data for years 1948-1967 supplied by Office of Business Economics. Although the Office of Business Economics has not yet revised the data for years prior to 1948, the percentages are included here for purposes of comparison with earlier years. Actually there is little difference between the revised data for 1948-1967 and the earlier, unrevised data.

addition, powerful forces in his cost structure make it virtually certain that he will continue to produce as much as he can, no matter what the selling price may be. He cannot greatly cut costs by reducing output because his total costs tend to remain very high whether he produces anything or not. Since the bulk of his costs are fixed outlays for such things as payments on land and equipment, interest and property taxes, they must be met every year, regardless of the amount he produces. Once he is committed to farming or ranching the main extra cost of producing a year's output is probably his own labor. Thus by reducing output the individual farmer can neither raise prices nor eliminate costs.

The result of these special conditions of demand and supply in agriculture is that when demand for farm products declines farm prices tend to suffer especially sharp drops because total output tends to be maintained. Table 2.12 shows the operation of these forces on several occasions. For example, when farm prices fell from 117.1 percent of the 1957-1959 average in 1948 to 101.3 percent in 1949 farm income as a percentage of total participation income in Montana fell from 35.8 percent to 20.2 percent.

Agriculture has also been vulnerable to economic change in the long run. Demand for farm products has risen much more slowly than the demand for other things, perhaps partly due to what Adam Smith referred to as "the narrow compass of the human stomach." When the nation's net national income and output increased by 753 percent from 1940 to 1968[12] the people did not want to buy seven and a half times as much food and other farm products. As a matter of fact, although farm output increased only 71 percent during these years this relatively small increase nevertheless created a "surplus" of farm products. The demand for farm products is simply not very sensitive to the general growth of income in the economy.

There have been long run troubles on the supply side. While farm output increased only 71 percent from 1940 to 1968,[13] output per man hour increased 389 percent,[14] thus creating a surplus of the farmers themselves. Considering the long term financial commitments of a career in agriculture and emotional ties of so many people with farm backgrounds, it is perhaps not surprising that the migration out of agriculture has been too gradual to prevent a drastic decline of income, consequent upon excess output in the face of inadequate demand. Thus Tables 2.8 and 2.14 show that farmers and farm workers remain on the average, the most poorly paid of all industrial and occupational groups. Government programs of various kinds have perhaps mitigated but have not prevented the imbalances of agricultural output, prices and income. To the extent that government has helped people to re-

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[12] Economic Report of the President, January 1969, United States Government Printing Office, Washington, D.C. 1969, p. 242.

[13] Loc. cit., p. 319.

[14] Ibid.

TABLE 2.13

Employed Labor Force in Montana in Each Occupational Group
and Percentage of Labor Force in Each Occupational Group
1940, 1950, and 1960,
and Differences 1940-1950 and 1950-1960

	1940	1950	1960	Percentage Changes 1940-1950	Percentage Changes 1950-1960
Professional & Managerial					
Montana	32,584	39,797	49,109	22.14	23.40
	17.64	18.24	21.23		
United States	7,213,241	9,958,080	12,641,953	38.05	26.95
	15.94	17.64	19.56		
Farmers & Farm Managers					
Montana	38,216	34,317	25,259	-10.20	-26.40
	20.69	15.73	10.92		
United States	5,147,789	4,310,979	2,505,684	-16.26	-41.88
	11.38	7.63	3.88		
Clerical & Sales					
Montana	23,754	34,096	42,217	43.54	23.82
	12.86	15.63	18.25		
United States	7,463,014	10,861,234	13,945,881	45.53	28.40
	16.49	19.24	21.57		
Craftsmen, Foremen, & Kindred					
Montana	17,727	26,438	28,414	49.14	7.47
	9.60	12.12	12.29		
United States	5,171,394	7,820,634	8,741,292	51.23	11.77
	11.43	13.85	13.52		
Operatives & Kindred					
Montana	24,288	26,380	26,878	8.61	1.89
	13.15	12.09	11.62		
United States	8,079,922	11,180,315	11,897,636	38.37	1.06
	17.86	19.80	18.41		
Household					
Montana	4,048	2,712	5,292	-33.00	95.13
	2.19	1.24	2.29		
United States	2,091,253	1,411,160	1,725,826	-32.51	22.30
	4.62	2.50	2.67		
Service Workers					
Montana	12,725	18,498	23,591	45.37	27.53
	6.89	8.48	10.20		
United States	3,200,341	4,297,018	5,444,958	34.27	26.71
	7.07	7.61	8.42		
Farm Laborers & Foremen					
Montana	19,945	18,991	12,414	-4.78	-34.63
	10.80	8.70	5.37		
United States	3,142,122	2,416,810	1,444,807	-23.08	-40.22
	6.94	4.28	2.24		
Nonfarm Laborers					
Montana	9,875	13,786	11,246	39.61	-18.43
	5.35	6.32	4.86		
United States	3,142,888	3,436,110	3,107,535	.93	-9.56
	6.95	6.09	4.81		
Occupations Not Reported					
Montana	1,502	3,165	6,850	110.72	116.43
	.81	1.45	2.96		
United States	418,351	742,933	3,183,675	77.59	328.53
	.92	1.32	4.93		
Total					
Montana	184,664	218,180	231,270	18.15	6.00
	100.00	100.00	100.00		
United States	45,070,315	56,435,273	64,639,247	25.21	14.53
	100.00	100.00	100.00		

Source: 1960 Census of Population, United States Summary, Volume I, Table 89, p. 219; Part 28, Montana, Table 59, p. 102.

main in agriculture its programs have delayed inevitable adjustments and prolonged the disequilibrium between farming and the rest of the economy.

Occupational Changes

Examination of the occupational changes which occurred in Montana from 1940 to 1960 and of the income levels of different occupational groups presents a picture which is generally consistent with facts observed earlier. Table 2.13 shows the numbers of the employed labor force in Montana and in the United States in various occupational groups in 1940, in 1950, and in 1960, the proportions of the total employed labor force in each occupational group in each of the three census years, together with the percentages by which the numbers in each group changed from one census year to the next. The proportions of farmers and farm laboreres are again seen to have been much above the national average while their numbers decreased less rapidly. The lower proportions of clerical and sales workers, craftsmen and foremen, and operatives, as well as the relatively slower growth of these occupations, reflect the lesser industrialization of Montana. The high proportion of the professional and managerial category is a favorable factor as is the relatively high proportion of service workers. Because of the very low per capita income of household workers the high proportion of this category and its especially large increase from 1950 to 1960, this change may be regarded as unfavorable for per capita income if viewed in association with the loss of many highly paid jobs as in railroads.

The general effect of occupational distribution on per capita income may be inferred from Table 2.14 where several occupational groups are ranged in descending order of the mean incomes which they earned in 1959. Table 2.14 also shows an interesting direct relationship between income and educational attainment. Perhaps the most significant feature of the data in Table 2.14 is the fact that farmers and farm laborers were at the bottom of the list, again emphasizing the unfavorable influence of agriculture on Montana's per capita income.

TABLE 2.14

Mean Incomes of Males in the North and West in Each Occupational Group and Median Years of School Completed by Males in Each Occupational Group, 1959

	Mean Income	Median Years of School Completed
Managers, Officials, & Proprietors	$9,835	12.4
Professional, Technical, & Kindred	8,906	16.4
Sales	7,329	12.6
Craftsmen, Foremen, & Kindred	5,898	11.0
Clerical & Kindred	5,466	12.5
Operatives & Kindred	5,040	10.0
Services (Including Household)	4,251	10.1
Laborers	4,092	8.5
Farmers & Farm Managers	3,830	8.7
Farm Laborers & Foremen	2,494	7.7
All Occupational Groups	6,215	11.7

Sources: 1960 Census of Population, Subject Reports, Occupation by Earnings and Education, Final Report, PC(2)-7B, Table 2, pp. 196-219.

Statistics on Manpower, A Supplement to the Manpower Reports of the President, U.S. Department of Labor, March 1969, Table B-12, p. 40.

CHAPTER 3 STATE AND LOCAL FINANCE IN MONTANA

CHAPTER 3

STATE AND LOCAL FINANCE IN MONTANA

Introduction

The nature and extent of state and local governmet activity in Montana is not well known and is difficult to ascertain. The internal fiscal information system of local government especially is inconsistent from one unit of government to another and nonuniform between school districts, cities, and town, and countries. No agency within the state assembles and maintains a usable and comprehensive system of fiscal accounts embracing all units of government in the state. This is clearly a responsibility the state, but it has not been fulfilled. The state of Montana cannot properly exercise the fiscal authority it possesses over local subdivisions without an appropriate information system.

Much attention is focused upon state fiscal matters once every two years when the legislature meets. For the most part, this attention is exclusively devoted to state revenue and state expenditures. In reality, however, some of the most difficult problems that must be dealt with by the legislature arise at the local level. Only when local fiscal problems are brought to the attention of the legislature is much thought given to local revenue and local expenditures. As local problems arise, they are treated in a piecemeal way.

Treatment of specific problems in an informed way is nearly impossible without appropriate fiscal information. The available internal fiscal information is at best fragmented and in some cases inaccurate. Consequently, the state has not developed fiscal policy which provides the means for solving state-local fiscal problems. The current *ad hoc* approach is clearly inadequate to establish sound long-range fiscal policy, which is necessary for appropriate solutions to specific problems as they emerge.

It is one of the primary purposes of this study to cut through the ambiguity surrounding state and local finance in Montana, and to provide the broadest possible view of the state-local fiscal situation. Of course, the lack of comparable and consistent published records of the many government units is a major obstacle in acheiving our purposes.

The United States Bureau of the Census periodically canvasses all units of government in Montana and has done so in 1942, 1957, 1962, and 1967. Most of the data from the 1967 Census of Government units is available at this time. The Bureau of the Census has also published annual data on government units based on sampling of government units since 1957. The census data is clearly the best data we have availabable, and in spite of its limitations, it will provide us with information which can shed considerable light on the state-local fiscal situation in Montana. One of the greatest benefits in using the census data is the consistency of definitions and reporting through time. Thus, historical as well as cross-section data are available to make comparisons over time and among units of government.

Prior to a detailed analysis of state and local fiscal affairs in Montana, it is enlightening to compare government activity and selected economic conditions in Montana with those of other states. Obviously, the adequacy of public services in both an absolute and a relative sense is a major issue in Montana fiscal policy. In this study we cannot address ourselves to the question of the adequacy of public expenditure in Montana in an absolute sense. But, we can shed some light on the question of whether differences between public expenditures in Montana and other states represent relative adequacy or inadequacy of Montana's public expenditures. It is relevant to compare Montana public expenditures with those of other states because Montana is part of an open economic system. That is, if Montana lagged far behind the rest of the states in educating its children, these children would be at a disadvantage when seeking employment elsewhere. Thus, legislators and government officials would be interested in knowing whether or not wide disparities in expenditures on education between Montana and other states exist. Our purpose, therefore, is to point out the disparities between expenditures in Montana and other states.

Difficulty of Interstate Comparisons

Interstate comparisons are popular and widely used by nearly everyone discussing issues of public finance. However, comparisons of expenditure levels between states must be undertaken with some reservations. Among the major problems excountered when making interstate comparisons are: (1) differences in the efficiency among the state and local governments in providing government services; (2) differences in price levels among the states so that the same level of spending in two states will not purchase the same amount of goods and services; and (3) differences in the capacity of states to finance public services.

If efficiency of government differs from one state to another, the same level of expenditure will result in different amounts and quality of service. Likewise, if price levels faced by state and local governments differ from one state to another, the same level of expenditure will result in different amounts of goods and services purchased by governments in the two states. Differences in income levels or the sizes of tax bases between states will also distort comparisons if a measure of public effort in support of public services is desired.

Expenditure per capita is one popular method of rendering interstate data comparable. A measure of the benefits of public services per individual is possible in this manner. While this procedure is helpful and is used in this analysis, it does not deal with the interstate differences discussed above. It does, however, provide a basis for comparing data between states with different populations.

The problem of efficiency of government cannot be overcome because there is no reliable method of comparing the efficiency of different levels of government or of governments in different states. Expressing expenditures in relation to personal income does compensate partially for the problems of differing price levels and differences in the capacity of states to finance public services. Expenditures per $1,000 of personal income are utilized in this analysis. Although personal income is not a perfect measure of the ability of the population to finance government activity, it is one of the best measures available for this purpose. The use of income as a base also partially overcomes the problem of price level differences among states. Price level differences faced by governments should also be reflected in the money income of the population of the state. Money income is the major component of personal income, which is used to deflate expenditures in this analysis.

Another problem encountered when comparing government expenditures of several states is that each state is unique in the way it allocates responsibilities to state and local governments. Some states have retained the responsibility for almost all government actions at the state level, whereas others have relegated the responsibility for most government functions to local units. Differences among states in the responsibilities of various levels of government preclude simple comparisons of state governments or interstate comparisons of local governments. Thus, valid comparisons can only be made if state and local government expenditures are combined in each state.

Capital outlays also constitute a problem when making interstate comparisons of government expenditures. Capital outlays are expenditures for purchase of land and equipment, and construction of or purchase of structures. Capital outlays are typically financed by the issuance of debt, and are therefore not closely related to current economic conditions. They also may vary considerably from year to year, especially in western states, because of highway construction of educational facilities. Capital outlay might be quite high in one year for a particular state, thus distorting total expenditure in that year, and then drop to a negligible amount in the following year. The magnitude of total expenditure for a state then depends on whether a year marked by unusually high or unusually low capital outlay is selected for the analysis. Interstate comparisons, therefore. could be distortrd because of the effect of capital outlays on total expenditure. In order to sidestep this problem, current operation expenditure and capital outlay are examined separately. Current revenue, expenditure, and income data are presented for fiscal year 1968. Capital outlay is examined on the basis of a five-year average to reduce the possible biasing influence of yearly fluctuations.

Another word of caution about making per capita comparisons, especially by particular functions of government, is that there may be peculiar demographic factors from one state to another. For example, if one state has a higher than average proportion of its population in school age brackets, per capita expenditures for education will be higher in that state, other things being equal. Thus, higher per capita expenditure in that state may be interpreted as better educational service when, if fact, the service may be no better or even be worse than in other states.

To deal with all the problems arising out of state-by-state comparisons of per capita expenditures is a formidable task. But, obviously, we are in a better position to evaluate interstate comparisons if we are aware of the problems, even if we cannot deal with all of them. We include per capita comparisons of Montana with a group of selected states. Comparisons of expenditures in relation to income among the states and the nation as a whole are made. Comparisons of expenditures are followed by comparisons of state and local taxes and revenue.

In making comparisons of Montana government activity with that of other states, we have chosen states which are similar to Montana in several respects. The states chosen are in a fairly uniform geographic region in the sense that they represent primarily plains and Rocky Mountain states. The states chosen conform for the most part to the type of economic and demographic characteristics of Montana. Although it is impossible to select an ideal set of states, and indeed our selection can be criticized on several grounds, we have chosen Colorado, Idaho, Nevada, North Dakota, South Dakota, Utah, and Wyoming. Additionally, all of our comparisons include the average of all the states in the United States.

Public Expenditure in Montana and Elsewhere

Tables 3.1 and 3.2 were prepared to provide a broad picture of expenditures in Montana and the rest of the country by state and local governments with some time perspective. They were prepared to illustrate the similarities and differences, in broad terms, between Montana and the rest of the nation. Tables 3.1 and 3.2 show direct general expenditure by level of government and by functions of government for Montana and all states combined for 1957 and 1967. Direct general expenditure is all expenditure on all general functions of government, excluding utility expenditure, liquor store expenditure, and insurance trust expenditure, since these three activities are not part of what is defined as general government. Direct general expenditure of the state government excludes state payments to local governments, and direct general expenditure of local governments excludes local payments to the state. However, direct general expenditure of state and local governments includes monies spent which came from the federal government. Likewise, local governments spend aid received from the state and the spend aid received from the state and the state spends money received from the local units. Thus, if state aid to local governments was not subtracted from total state expenditure, it would be counted twice because local units also spend it. In any case, direct general expenditure represents all expenditures for direct provisions of public services and assistance.

In fiscal 1957, direct general expenditure in Montana by all units of government was $189.4 million. This amounted to $282 per person in the state in 1957. Of this amount, 36 percent went to elementary, secondary, and higher education, and 28 percent went to highways, streets, and roads. Public welfare and health and hospital expenditures constituted 12 percent of the total. Police and fire protection, which includes the state highway patrol, sheriff's office, and city police, as well as local fire departments, made up 3 percent of the total expenditure. Five percent of the total was spent on general control which includes the legislative, judicial, and certain executive departments. Only 2 percent of direct general expenditure was for paying interest on general debt. Twelve percent of direct general expenditure went for support of libraries, natural resources expenditure, and other miscellaneous functions. In 1957, local governments were spending 78 percent of the education dollar. The state spent 70 percent of the highway dollar, 90 percent of the welfare dollar, and 67 percent of the money devoted to providing health services and hospitals. It is notable that in 1957, 64 per cent of the total direct expenditure went for education and highways. Public welfare and health and hospitals, along with education and highways, constituted over three-fourths (76 percent) of total direct expenditures in the state.

Montana's pattern of direct general expenditure was somewhat similar to the nation as a whole with some notable exceptions. Montana spent a higher share on education and highways than did the rest of the states. The main difference between Montana and all states was in direct expenditure on highways. The share of direct expenditure on highways in Montana exceeded the all states share by 9 percent in 1957. Local governments of all states spent 5 percent more of the education dollar than did Montana local governments, and Montana state government spent 8 percent more of the highway dollar than state governments in all states.

Another notable feature of Table 3.1 is that state and local governments split welfare expenditures about half-and-half, but in Montana the state government spent 90 percent of the welfare dollar. Montana state government carried 39 percent more of the welfare outlay than the average state. In fact, state government had accepted a much greater share of the responsibility for education, highways, public welfare, and health and hospitals than the rest of the states had in 1957.

Overall, state government in Montana made 46 percent and local government made the remaining 54 percent of total direct general expenditure. The state share in Montana exceeded the state share in all states by 12 percent in 1957.

TABLE 3.1

Direct General Expenditure
By Level of Government and by Function

Montana[1]
Fiscal 1957[2]

	State		Local		Total		Overall Percent Distri-bution
	(000)	Percent of Total	(000)	Percent of Total	(000)	Percent of Total	
Education	$14,644	22	$ 53,366	78	$ 68,010	100	36
Highways	36,966	70	16,182	30	53,148	100	28
Public Welfare	12,640	90	1,332	10	13,972	100	7
Health & Hospitals	5,888	67	2,849	33	8,737	100	5
Police & Fire Protection	780	13	5,216	87	5,996	100	3
Sewerage & Sanitation	------	--	3,762	100	3,762	100	2
Local Parks & Recreation	------	--	1,318	100	1,318	100	1
General Control & Financial Adm.[3]	2,870	33	5,800	67	8,670	100	5
Interest on General Debt	1,338	39	2,113	61	3,451	100	2
All Other	11,683	52	10,620	48	22,303	100	12
Total Direct General Expenditures	$86,809	46	$102,557	54	$189,366	100	100

All States[1]
Fiscal 1957[2]

	(Millions)		(Millions)		(Millions)		
Education	$ 2,466	17	$11,668	83	$14,134	100	35
Highways	4,875	62	2,941	38	7,816	100	19
Public Welfare	1,745	51	1,659	49	3,404	100	8
Health & Hospitals	1,652	52	1,549	48	3,200	100	8
Police & Fire Protection	179	8	2,100	92	2,278	100	6
Sewerage & Sanitation	------	--	1,443	100	1,443	100	4
Local Parks & Recreation	------	--	608	100	608	100	2
General Control & Financial Adm.[3]	531	31	1,195	69	1,725	100	4
Interest on General Debt	351	32	755	68	1,106	100	3
All Other	1,973	42	2,686	58	4,660	100	12
Total Direct General Expenditures	$13,772	34	$26,604	66	$40,375	100	100

Source: 1957 Census of Government, Compendium of Govt. Finances (U.S. Dept. of Commerce, Bureau of the Census).

1. Detail may not add to totals due to its rounding.

2. Ending in Calendar year.

3. Includes general control only, financial administration is included in all other.

TABLE 3.2

Direct General Expenditure
By Level of Government By Function

Montana[1]
Fiscal 1967[2]

	State		Local		Total		Overall Percent Distribution
	(000)	Percent of Total	(000)	Percent of Total	(000)	Percent of Total	
Education	$ 42,333	29	$101,968	71	$144,301	100	40
Highways	77,532	81	17,913	19	95,445	100	27
Public Welfare	15,451	78	4,290	22	19,741	100	6
Health & Hospitals	8,609	59	6,060	41	14,669	100	4
Police & Fire Protection	1,698	17	8,424	83	10,122	100	3
Sewerage & Sanitation	------	--	6,865	100	6,865	100	2
Local Parks & Recreation	------	--	2,648	100	2,648	100	1
General Control & Financial Adm.	5,733	40	8,518	60	14,251	100	4
Interest on General Debt	2,886	40	4,360	60	7,246	100	2
All Other	22,067	53	19,897	47	41,964	100	12
Total Direct General Expenditures	$176,309	49	$180,943	51	$357,252	100	100

All States[1]
Fiscal 1967[2]

	(Millions)	Percent of Total	(Millions)	Percent of Total	(Millions)	Percent of Total	Overall Percent Distribution
Education	$ 9,384	25	$28,534	75	$37,919	100	41
Highways	9,423	68	4,510	32	13,932	100	15
Public Welfare	4,291	52	3,927	48	8,218	100	9
Health & Hospitals	3,358	51	3,283	49	6,640	100	7
Police & Fire Protection	441	10	4,108	90	4,548	100	5
Sewerage & Sanitation	------	--	2,523	100	2,523	100	3
Local Parks & Recreation	------	--	1,291	100	1,291	100	1
General Control & Financial Adm.	1,175	35	2,139	65	3,310	100	4
Interest on General Debt	1,026	34	2,007	66	3,032	100	3
All Other	5,152	43	6,780	57	11,934	100	13
Total Direct General Expenditures	$34,249	37	$59,101	63	$93,350	100	100

Source: Census of Government 1957 & 1967; Compendium of Government Finances (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

2. Ending in Calendar year.

Table 3.2 illustrates the fact that the same general pattern of expenditure among functions of government and among units of government in Montana existed in fiscal 1967. On a national basis, states have increased their responsibility for virtually every function of government. But in spite of movement toward more state responsibility in providing governmental service and assistance across the nation, Montana still exceeded all states in this respect in 1967. In 1967, state government in Montana spent 49 percent of total state-local direct general expenditure, but state governments across the nation spent only 37 percent of direct expenditure. Montana state government took on 3 percent more of the responsibility for direct expenditure than it had in 1957.

Total state and local direct general expenditure in Montana grew 88.7 percent between 1957 and 1967; this was at an average annual rate of 6.5 percent. Total state and local direct general expenditure of all states grew 131.2 percent over the ten-year period, a rate of 8.7 percent per year. The differences in growth rates in direct general expenditure in Montana and in all states combined cannot be interpreted at this time to mean that there is a deterioration in the quality of public services in Montana. Expenditures per capita and per $1,000 personal income can shed some light on this question. These comparisons are made below.

Table 3.3 shows per capita state and local current expenditures on general functions in the eight western states. In fiscal 1968, Montana state and local governments spent $399.03 per person on general functions. This was 1 percent or $4.12 above the average of the fifty states, and seventh in amount among the eight western states. Four of the eight western states spent at least 10 percent more per person than Montana.

The highest per capita spending among the eight states was in Wyoming which spent $564.97 per person, 43 percent above the average of the fifty states. Wyoming spent $170.06 per person more on general government functions than the average per person expenditure in the fifty states.

Idaho spent the least per person among the eight western states and was the only one of the eight western states below the United States average. In fiscal 1968, Idaho spent $367.43 per person, 93 percent of the United States average.

Table 3.4 shows per capita current expenditure broken down by functions of government. It was impossible to separate capital outlay for some of the functions, but it was possible for three major functions which are of particular interest. Montana spent $201.03 per person on education, sixth from the top among the eight states, but 17 percent above the United States average. Montana's current spending for highways was $32.88 per capita, fourth among the eight states and 38 percent above the United States average. Montana ranked fifth in per capita current expenditure on health and hospitals, spending $22.10 per person. In the case of current per capita expenditure on health and hospitals, however, Montana's per person expenditure was only 65 percent of the United States

TABLE 3.3

Per Capita State and Local Government Current Expenditure on General Functions Eight Western States and United States Average Fiscal Year 1968

State	Per Capita Expenditure	Percent of U.S. Average	Rank
Wyoming	$564.97	143	1
Nevada	546.20	138	2
North Dakota	442.76	112	3
Colorado	442.21	112	4
South Dakota	417.72	106	5
Utah	402.23	102	6
MONTANA	399.03	101	7
Idaho	367.43	93	8
U.S. Average	394.91	---	-

Source: Governmental Finance in 1967-68 (U.S. Department of Commerce, Bureau of the Census, 1969).

Notes: Current expenditures include most public payrolls, purchase of goods and services used in the performance of various governmental functions, and purchase of goods for resale by governmental activities. Expenditures in this table are total expenditures minus expenditures by insurance trusts, liquor stores, and utility enterprises but include intergovernmental expenditures. General functions include education, highways, welfare, health and hospitals, police protection, fire protection, sewerage and sanitation, and others.

TABLE 3.4

Per Capita State and Local Current Expenditure by Functions
Eight Western States and United States Average
Fiscal Year 1968

State	Education	Rank	Highways	Rank	Welfare[1]	Rank	Health and Hospitals	Rank	Police and Fire Protection[1]	Rank	All Others[1]	Rank	Total	Rank
Colorado	$221.26	4	$26.76	7	$54.77	1	$35.47	3	$23.00	2	$104.09	5	$465.35	3
Idaho	164.81	8	32.61	5	34.06	7	28.66	4	17.29	4	103.57	6	381.00	8
MONTANA	201.03	6	32.88	4	35.43	6	22.10	5	17.08	5	108.99	4	417.51	7
Nevada	201.28	5	32.59	6	40.84	3	57.74	1	49.52	1	197.23	1	579.20	2
North Dakota	197.04	7	34.50	3	42.31	2	18.13	7	13.96	7	149.64	2	455.58	4
South Dakota	227.09	3	47.92	2	34.74	5	14.47	8	12.52	8	89.49	7	426.23	5
Utah	237.88	2	22.77	8	36.01	4	21.67	6	16.16	6	83.48	8	417.97	6
Wyoming	296.51	1	52.15	1	32.83	8	47.12	2	19.92	3	135.21	3	583.74	1
U.S. Average	172.13		23.85		49.32		34.07		25.18		116.22		420.77	

Source: Governmental Finances in 1967-68 (U.S. Dept. of Commerce, Bureau of the Census, 1969).

[1] Capital outlay is included in these functions due to lack of data to separate it out. The difference between per capita expenditure in Table 3.1 and the total in this table is the amount of capital outlay implicit in the three items above.

average. Public welfare, police and fire protection, and other government expenditures which include capital outlay were below the national average.

These figures should not be interpreted to indicate that Montana or other western states do not provide an adequate level of service in some areas. While this may be true, such a conclusion need not necessarily follow from these figures. It is probably true, however, that sparsely populated western states do not require the same intensity of service for some functions as do densely populated, urban-oriented states.

There are wide variations in per capita expenditures on current functions of government both in aggregate and by functions among the eight states. There also are substantial differences in per capita expenditures between the individual states and the national average. Montana's level of current expenditures on all general functions combined is very close to the national average. But when compared with states having similar economic and demographic characteristics, it ranks low. A similar picture emerges when Montana's position is viewed by specific functions. Montana ranks among the bottom four of the eight western states in current per capita expenditure on education, but is well above the national average. Montana ranks fourth among the eight states in current per capita expenditure on highways, and is also well above the national average in expenditure on that function. For all other functions Montana ranks near the middle of the eight states, but expenditures are below the national average.

Capital outlay expenditure per capita was also higher in the western states than for the nation as a whole. This is primarily due to the physical size of the states and the magnitude of highway construction. Based on the five-year average, per capita expenditure on capital outlay was above the national average in seven of the eight western states (see Table 3.5). Montana ranked third in per capita expenditure for capital outlays among the eight western states.

Table 3.6 shows total general expenditure per capita for each state and the United States average for 1964 to 1968.

Montana ranked third among the eight states in total general expenditure per capita in 1965, but dropped to sixth in 1967 and 1968. All of the western states with the exception of Idaho ranked above the United States average in total general expenditure per capita in every year.

One measure of the ability of a state's economy to afford government is personal income. Personal income is certainly not a perfect measure of the fiscal capacity of a state, however, it is one gauge of the ability of the population to consume public as well as private goods. Total personal income of states obviously could not be compared because of differences in state populations. Personal income is deflated by population to facilitate interstate comparisons.

TABLE 3.5

Capital Outlay Expenditure Per Capita
Eight Western States and United States Average
Fiscal Years 1964 to 1968 and Five-Year Average

State	1964	Rank	1965	Rank	1966	Rank	1967	Rank	1968	Rank	Five-Year Average	Rank
Colorado	$102.56	7	$117.67	7	$120.59	5	$112.88	7	$112.46	7	$113.23	7
Idaho	83.99	8	112.91	8	108.79	8	107.99	8	101.74	8	103.08	8
MONTANA	144.55	3	154.90	3	160.20	3	160.65	4	154.25	4	154.91	3
Nevada	213.78	1	248.21	1	227.33	2	206.36	2	189.46	2	217.03	2
North Dakota	130.61	4	128.13	6	117.34	7	172.26	3	163.12	3	142.29	5
South Dakota	115.12	6	133.83	5	118.96	6	131.38	6	142.93	5	128.44	6
Utah	127.77	5	150.85	4	154.58	4	147.96	5	136.18	6	143.47	4
Wyoming	176.19	2	226.33	2	251.11	1	240.20	1	244.26	1	227.62	1
U.S. Average	91.23		94.64		103.28		113.49		117.51		104.03	

Source: Governmental Finances in 1963-64 and subsequent issues (U.S. Dept. of Commerce, Bureau of the Census).

TABLE 3.6

General Expenditure Per Capita
Eight Western States and United States Average
Fiscal Years 1964 to 1968 and Five-Year Average

State	1964	Rank	1965	Rank	1966	Rank	1967	Rank	1968	Rank	Five-Year Average	Rank
Colorado	$427.19	5	$480.59	5	$513.96	3	$539.46	4	$554.67	5	$503.17	4
Idaho	342.59	8	392.71	8	422.15	8	452.61	8	469.17	8	415.85	8
MONTANA	427.65	4	463.50	3	491.91	5	509.22	6	553.28	6	489.11	5
Nevada	576.42	1	635.54	1	661.37	2	700.28	2	735.66	2	661.85	2
North Dakota	433.09	3	459.84	4	476.46	6	583.89	3	605.88	3	511.83	3
South Dakota	375.82	7	417.01	7	440.04	7	493.13	7	560.65	4	457.33	7
Utah	403.10	6	454.56	6	496.01	4	516.85	5	538.41	7	481.79	6
Wyoming	531.06	2	611.85	2	697.09	1	748.83	1	809.23	1	679.61	1
U.S. Average	362.20		384.62		422.97		473.82		512.42		431.21	

Source: Governmental Finances 1964 to 1967-68 (U.S. Dept. of Commerce, Bureau of the Census).

Per capita personal income was below the national average in seven of the eight western states (see Table 3.7). Montana ranked fourth among the eight western states with per capita personal income $394 below the national average.

Although per capita personal income was below average for Montana and the other western states except Nevada, per capita state and local expenditure for current operations was higher than the national average.

Table 3.8 shows that current operation expenditure per $1,000 of personal income was considerably higher in each of the western states than it was on the average for the nation. Montana ranked seventh among the eight western states in current expenditure per $1,000 of personal income. The western states appear to exert greater than average fiscal effort in support of government activities, since the ratio of government spending to personal income is higher in these states. This should not be construed to reflect greater tax effort than other states since tax revenues do not necessarily equal expenditures.

The conclusions drawn from the expenditure data are: (1) Whatever the quality or extent of government service, government expenditure per capita is higher than average in Montana and the seven other western states. (2) When compared to personal income as a measure of fiscal capacity, fiscal effort is greater in the eight western states than it is on the average for the nation. (3) Although Montana compares favorably to national averages in most expenditure categories, it is average or below average when compared to other western states with similar economic and demographic features.

One of the reasons for selecting the seven states to compare with Montana was to standardize differences among states not accountable for explicitly with economic data. We have no way of knowing whether this was accomplished. However, if it was accomplished, we can assume that differences in efficiency in providing government services are small, price level differences are small, and population age composition differences are not large. We can then conclude that differences in per capita expenditure and expenditure per $1,000 of personal income reflect differences in the quality and quantity of public services. Hence, if our assunptions are correct, it may be concluded that Montana is providing at best average or generally below average services, given the problems it and other western states must deal with. Additionally, in the past few years Montana has fallen behind.

Public Revenue in Montana and Elsewhere

Before analyzing specific revenues and making state-by-state comparisons, it is illuminating to take a broad view of the revenue system in Montana and in all states by source of revenue and by level of government. Table 3.9 was prepared to illustrate the Montana state-local revenue system and the revenue system of state and local governments of all states for fiscal 1957 and 1967.

TABLE 3.7

Per Capita Personal Income
Eight Western States and United States Average
Calendar Year 1967

State	Per Capita Income	Rank
Nevada	$3,583	1
Colorado	3,135	2
Wyoming	3,002	3
MONTANA	2,765	4
Utah	2,604	5
South Dakota	2,590	6
Idaho	2,575	7
North Dakota	2,487	8
U.S. Average	3,159	-

Source: Governmental Finances in 1967-68 (U.S. Dept. of Commerce, Bureau of the Census.

TABLE 3.8

State and Local Current Operations Expenditure
Per $1,000 of Personal Income
Eight Western States and United States Average
Fiscal Year 1968

State	Expenditure/$1,000 Personal Income	Rank
Wyoming	$188.16	1
North Dakota	174.13	2
South Dakota	157.25	3
Utah	155.94	4
Nevada	155.50	5
Colorado	146.29	6
Idaho	143.89	7
MONTANA	142.60	8
U.S. Average	126.27	-

Source: Governmental Finances in 1967-68 (U.S. Dept. of Commerce, Bureau of the Census, 1969).

In fiscal 1957 state and local governments in Montana received $185.1 million in general revenue. This revenue figure excludes revenue of local utilities (primarily water systems), state liquor stores, and insurance trust systems. State and local governments combined also received $32.8 million from the federal government, most of which was received by the state. In fiscal 1957 local government units received only $975,000 from the federal government and the state government received $31.8 million from the federal government.

To get a clear picture of the revenue efforts of state government, local government, and state-local government combined, intergovernmental payments must be subtracted out. Own general revenue is a concept designed to measure the revenue raised by each level of government. Own general revenue of state government in Montana is total state general revenue minus federal-to-state payments, minus local-to-state payments. Own general revenue of local governments in Montana is total local general revenue minus federal-to-local payments, minus state-to-local payments. Own general revenue of state and local governments combined in Montana in fiscal 1957 was $152.3 million.

The property tax was by far the largest single revenue producer yielding $73.5 million, more than twice as much as any other single revenue source in 1957. The property tax made up 48.2 percent of the own general revenue of state and local governments. The state received only 7 percent of the property tax revenue while local governments received 93 percent of the property tax revenue. It is interesting to note that Montana relied more heavily on the property tax in its state-local revenue system than did all states by a substantial margin. In 1957, the property tax in all states constituted only 37.5 percent of their own state-local general revenue system, but in Montana it constituted 48.2 percent of own state-local general revenue. Also, all states together allocated 3 percent less of the property tax revenue to state governments than Montana, and, likewise, 3 percent more to local governments in 1957 than Montana.

Motor vehicle revenue is the second largest producer of revenue in Montana's state-local revenue system. Motor vehicle revenue includes motor fuel taxes, vehicle and operator licenses, title fees, etc. Motor vehicle revenue made up 16.3 percent of the state-local own general revenue in Montana in 1957, producing $24.8 million. The state received 86 percent of the motor vehicle revenue and local governments received 14 percent in 1957. It should be noted that motor vehicle revenue was the largest source of state revenue in 1957, yielding $21.4 million, nearly one-third of state own general revenue. Montana relied on motor vehicle revenue more heavily in its state-local own general revenue system than all states combined. But all states combined shared less of the motor vehicle revenue with local units of government. Local units of government in the United States as a whole received only 3 percent of motor vehicle revenue, but in Montana local units receive 14 percent of total motor vehicle revenue.

TABLE 3.9

General Revenue of State and Local Government
By Revenue Source, By Level of Governments for Montana
and All States[1]

	Montana Fiscal 1957							All States Fiscal 1957			
	State		Local		Total		Overall	State	Local	Total	Overall
	(000)	Percent of Total	(000)	Percent of Total	(000)	Percent of Total	Percent Distribution	Percent of Total	Percent of Total	Percent of Total	Percent Distribution
Intergovernmental Revenue	34,161	--	14,828		32,770	---	-----	--	--	---	------
Own General Revenue	66,627	44	85,681	56	152,308	100	100.0	48	52	100	100.0
Property Tax	4,973	7	68,496	93	73,469	100	48.2	4	96	100	37.5
Motor Vehicle Revenue	21,422	86	3,378	14	24,800	100	16.3	97	3	100	12.6
Alcohol & Tobacco Revenue	5,121	100	------	--	5,121	100	3.4	94	6	100	3.5
Individual Income Tax	7,550	100	------	--	7,550	100	5.0	89	11	100	5.1
Corporate Income Tax	2,360	100	------	--	2,360	100	1.5	100	--	100	2.9
General Sales	------	---	------	--	-------	---	-----	84	16	100	11.7
All Other Taxes & Licenses	11,206	88	1,486	12	12,692	100	8.3	76	24	100	10.7
Current Charges	6,475	45	7,930	55	14,405	100	9.5	33	67	100	11.0
Miscellaneous Revenue	7,520	83	4,392	17	11,912	100	7.8	40	60	100	5.0
Total General Revenue	100,788	--	100,509	--	185,078	---	---	--	--	---	-----
Revenue From State	-------	--	13,853	--	-------	---	---	--	--	---	-----
Revenue From Local Govts.	2,366	--	-------	--	-------	---	---	--	--	---	-----
Revised Total Gen. Revenue[2]	98,422	53	86,656	47	185,078	100	---	52	48	100	-----

	Montana Fiscal 1967							All States Fiscal 1967			
	State		Local		Total		Overall	State	Local	Total	Overall
	(000)	Percent of Total	(000)	Percent of Total	(000)	Percent of Total	Percent Distribution	Percent of Total	Percent of Total	Percent of Total	Percent Distribution
Intergovernmental Revenue	86,958		37,653		89,352						
Own General Revenue	123,918	46	148,288	54	272,206	100	100.0	50	50	100	100.0
Property Tax	5,145	4	114,092	96	119,237	100	43.8	3	97	100	34.4
Motor Vehicle Revenue	26,845	88	3,798	12	30,643	100	11.3	98	2	100	9.4
Alcoholic & Tobacco Revenue	10,792	100	-------	100	10,792	100	4.0	95	5	100	3.7
Individual Income Tax	24,224	100	-------	---	24,224	100	8.9	84	16	100	7.7
Corporate Income Tax	7,608	100	-------	---	7,608	100	2.8	100	--	100	2.9
General Sales Tax	------	---	-------	---	------	---	-----	88	12	100	13.4
All other Taxes & Licenses	18,209	90	2,105	10	20,314	100	7.5	79	21	100	9.0
Current Charges	19,559	54	16,746	46	36,305	100	13.3	40	60	100	13.8
Miscellaneous Revenue	11,592	50	11,546	50	23,138	100	8.5	38	62	100	5.7
Total General Revenue	210,876	--	185,941	--	361,558	---	----	--	--	---	----
Revenue from State	-------	--	33,192	--	-------	---	----	--	--	---	----
Revenue from Local Govts.	2,067	--	-------	--	-------	---	----	--	--	---	----
Revised Total Gen. Revenue[2]	208,809	58	152,749	42	361,558	100	----	56	44	100	----

Source: Census of Government 1957 & 1967; Compendium of Government Finances (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

2. Exclusive of local-to-state and state-to-local payments.

Alcoholic beverage and tobacco product taxes yielded 3.4 percent of state and local own general revenue in 1957. The role of these taxes in the Montana state-local revenue system was nearly the same as in the state-local revenue system in all states. Montana state government retained 100 percent of the revenue, leaving none for local units of government in 1957. However, local units across the country received 6 percent of the revenue from taxes on alcoholic beverages and tobacco products. There is some distortion in this category of taxes since liquor store profits are not considered by the Bureau of the Census as general revenue. In 1957, for example, the state liquor monopoly in Montana made a net contribution to the state general fund of $3.0 million. If this revenue were included in own general revenue of Montana and all states, the role of this revenue source would have been enhanced more in Montana than in all states, and the difference between Montana and all states would have been further reduced.

The individual income tax collections of $7.6 million amounted to 5.0 percent of state-local own general revenue in 1957. The state government received 100 percent of the revenue from the individual income tax. However, 25 percent of the income tax is earmarked for the school foundation program and paid out in the form of grants-in-aid to local school districts. The role of the income tax in the state-local revenue structures of Montana and of all states combined is the same for all practical purposes. However, local units across the country receive 11 percent of individual income tax revenue.

The corporate income tax in Montana yielded $2.4 million in fiscal 1957 and comprised 1.5 percent of state-local own general revenue. The state government received 100 percent of the revenue from the corporate income tax but like the individual income tax, 25 percent of the revenue is earmarked for the school foundation program. The role of the corporate income tax in revenue structures was greater in all states than in Montana by 1.4 percentage points in 1957. Local units of government in all states receive none of the corporate income taxes.

The general sales tax constituted 11.7 percent of state-local revenue structures of all states in 1957. Local units of government received 16 percent of general sales tax revenue. State governments received 86 percent of general sales tax revenue. The general sales tax is the most widely used major tax source for sharing with local units of government.

The category of all other taxes and licenses includes many varieties of taxes and licenses. Among these taxes and licenses are public utility taxes, insurance premium taxes, severance taxes, parking meter revenues, building and equipment permits, business and occupation licenses, and miscellaneous licenses.

Current charges are charges by governments for the provision of goods and services. The major current charges are university system tuition and fees, dormitory rent and food services, local school lunch program charges, and natural resources charges (which are grazing fees, payment of interest and principal on state financed irrigation projects). Other current charges include public sewer revenues, garbage disposal revenues, airport landing fees, etc.

Miscellaneous revenue includes revenues from sales of property owned by state and local governments, interest earnings on unspent bond revenue and on cash on hand, special assessments which are mainly special improvement district revenues, donations, fines and forfeits, and rents and royalties.

Certain elements of current charges are of interest. To some degree current charges for government services can be a substitute for tax revenue. The role of current charges in 1957 was less in Montana than in all states combined, but the nature of the difference is not clear. The state government in Montana made current charges amounting to 45 percent of total state-local current charges. This was 12 percentage points above all states.

Table 3.10 also contains data on fiscal year 1967. In many respects the pattern of revenue in state-local revenue structures was the same in 1967 as it was in 1957. The shares of the state and local units are also very similar in the two years. However, there are some noteworthy exceptions.

The Montana property tax played a smaller role in state-local finance in 1967 than in 1957. This trend also existed in all states in the United States (see Table 3.10). Motor vehicle revenue showed the greatest decline in importance in the revenue system in Montana, and the state-local revenue systems in all states. Other taxes and licenses was the only other revenue category showing a decline in relative importance in state-local revenue system in Montana and elsewhere.

The decline in dependence upon the property tax during the ten-year period was from 48.2 percent in 1957 to 43.8 percent in 1967, a drop of 4.4 percentage points. Nationally, the drop was 3.1 percentage points. The decline in dependence upon motor vehicle revenue of 5.0 percent in Montana and 3.2 percent in all states, comes somewhat as a surprise in view of the massive highway construction program being carried on in conjunction with the interstate system. It must be observed, however, that a majority of the funds spent on highways comes from the federal government and most of the pressure for increased revenue to support the highway program rests at the federal level. Motor vehicle revenues have grown during the ten-year period, but not as rapidly as some other important state-local revenue sources. Consequently, there has been a decline in the importance of that source of revenue in Montana and elsewhere. The decline in the role of other taxes and licenses was minimal in Montana; they fell by 0.8 percentage points, which was less than the decline in all other states combined.

Both the individual income tax and corporation license tax became more important in the Montana state-local revenue system as well as in all states combined. However, increased reliance on these two sources

TABLE 3.10

Change in Roles of Own Revenue Sources[1]

	Montana				All States			
	Percent Distribution Own Revenue Sources				Percent Distribution in Own Revenue Sources			
	Fiscal 1957	Fiscal 1967	Change in Percent 1957-67	Percent Change	Fiscal 1957	Fiscal 1967	Change in Percent 1957-67	Percent Change
Property Tax	48.2	43.8	-4.4	- 9.1	37.5	34.4	-3.1	- 8.3
Motor Vehicle Revenue	16.3	11.3	-5.0	-30.7	12.6	9.4	-3.2	-25.4
Alcoholic & Tobacco Revenue	3.4	4.0	+0.6	+17.6	3.5	3.7	+0.2	+ 5.7
Individual Income Tax	5.0	8.9	+3.9	+78.0	5.1	7.7	+2.6	+51.0
Corporate Income Tax	1.5	2.8	+1.3	+86.7	2.9	2.9	----	-----
General Sales Tax	----	----	----	-----	11.7	13.4	+1.7	+14.5
All other Taxes & Licenses	8.3	7.5	-0.8	- 9.6	10.7	9.0	-1.7	-15.9
Current Charges	9.5	13.3	+3.8	+40.0	11.0	13.8	+2.8	+25.5
Miscellaneous Revenue	7.8	8.5	+0.7	+ 9.0	5.0	5.7	+0.7	+14.0
Own General Revenue	100.0	100.0	+0.1	-----	----	----	----	-----

Source: Montana Fiscal Affairs Study.

[1] Details may not add to totals due to rounding.

of revenue was greater in Montana than in all states combined. Dependence on the individual income tax increased from 5.0 percent to 8.9 percent during the ten-year period. The increase was 3.9 percentage points in Montana and 2.6 percentage points in all states combined. Thus, during the ten years, the Montana individual income tax has grown nore rapidly than any other major revenue source in Montana, and faster in relation to the revenue base in Montana than income taxes elsewhere have grown relative to their revenue bases. Dependence on the corporate license tax in Montana increased from 1.5 percent in 1957 to 2.8 percent in 1967, or by 1.3 percentage points. Dependence on the corporation income tax in all states combined did not change between 1957 and 1967.

Reliance on alcohol and tobacco revenue and miscellaneous revenue increased 0.6 percentage points in Montana and 0.2 percentage points in all states combined.

Increased reliance on current charges was second only to the individual income tax in Montana and first in all states combined. Dependence on current charges increased by 3.8 percentage points from 1957 to 1967 in Montana. This may be attributable to rapidly increasing total charges in higher education, Montana custodial institutions, and to some degree school lunch program charges. The increase in education charges should not necessarily be attributed to per student charges, but is most likely due to the rapidly increasing number of students during that period, which itself accounts for a majority of the increase in revenue from current charges in education. In recent years, families having dependents in Montana custodial institutions have been required to pay some of the expenses if the families could afford such payments. This has increased current charges of what the census defines as health and hospitals. The increased dependence on current charges in all states combined was less than in Montana by one percentage point.

Use of the change in percentage points from 1957 to 1967 to depict the changing role of various revenue sources in the Montana fiscal system and the systems in all states may, at first glance, seem trivial because the changes in percentage points from 1957 to 1967 are not very large in an absolute sense. But such changes should not be interpreted as being small. For example, the increase in the role of the Montana individual income tax from 1957 to 1967 was 3.9 percentage points. The increase in the role of the individual income tax in all states during the ten-year period was 2.6 percentage points. But, the individual income tax was 78.0 percent more important in 1967 than it was in 1957 in the Montana revenue system. In all states, the role of the individual income tax increased 51.0 percent. In other words, the increase in importance of the Montana income tax in Montana's revenue system exceeded the increase in importance of the income tax in all states combined by 28 percent. A difference of 1.3 percentage points amounted to a difference of 28 percent.

The Montana corporation income tax was 86.7 percent more important in 1967 than it was in 1957, while in all states combined the corporate income tax maintained exactly the same role.

In view of this information, it is easily seen that the changes are by no means trivial, but are rather dramatic. The fiscal pressure on existing revenue sources in Montana as compared with all states combined was intense during the period from 1957 to 1967.

It is noteworthy that the general sales tax played a major role in the state-local revenue systems of all states combined in 1957 when it made up 11.7 percent of state-local own general revenue of all state and local governments combined. By 1967, the sales tax made up 13.4 percent of the total own general revenue of state and local governments across the country, yielding over $10.1 billion. The fact that other states use an additional major revenue source and Montana does not is easily seen when comparing Montana with all states. Keeping in mind that direct general expenditures in Montana grew annually at over two percentage points below the all states average from 1957 to 1967, Montana still put more pressure on existing revenue sources than did all the states. It is clear that the use of the retail sales tax in the majority of the states resulted in less pressure on other revenue sources, such as the property tax, in 1957, but it markedly tempered the increased pressure on all revenue sources over time, which itself means that the other states had more stable revenue systems on the whole.

With this broad view of Montana's state-local revenue system in mind, we now turn to comparisons of Montana and seven states of close proximity to Montana.

Tax revenues provide a measure of the relative effort of state populations to support government activity. Per capita tax collections were about average in the western states, as shown in Table 3.11. Montana ranked fourth of eight with per capita tax collections, slightly higher than the national average. Although per capita tax collections are about average in the western states, per capita income is lower than average, indicating greater than average tax effort in these states.

Tax effort, as measured by personal income (see Table 3.12), was greater than the national average in all of the western states. Montana ranked sixth among the eight states in tax receipts per $1,000 of personal income.

All eight western states received more than the average revenue from the federal government. Montana ranked fourth among the eight states in per capita intergovernmental revenue.

The preceding analysis of state and local expenditures and revenues shows that Montana is about average in most respects, when compared to other western states. All eight western states included in this analysis are typified by lower than average per capita income, higher than average per capita expenditure, and greater than average tax effort. Partial compensation for the greater tax effort of western states is received in the form of higher than average per capita revenue from the federal government (see Table 3.13). Greater tax effort and larger per capita intergovernmental revenue payments indicate that more resources are re-

TABLE 3.11

State and Local Tax Revenue Per Capita
Eight Western States and United States Average
Fiscal Year 1968

State	Per Capita Tax Revenue	Rank
Nevada	$429.05	1
Wyoming	405.44	2
Colorado	352.41	3
MONTANA	339.75	4
South Dakota	326.75	5
North Dakota	316.05	6
Idaho	315.49	7
Utah	300.95	8
U.S. Average	338.09	-

Source: Governmental Finances in 1967-68 (U.S. Dept. of Commerce, Bureau of the Census, 1969).

TABLE 3.12

State and Local Tax Receipts
Per $1,000 of Personal Income
Eight Western States and United States Average
Fiscal Year 1968

State	Tax Receipts/$1,000 Personal Income	Rank
Wyoming	$134.99	1
North Dakota	124.19	2
Idaho	123.56	3
South Dakota	123.04	4
Nevada	122.19	5
MONTANA	121.45	6
Utah	116.69	7
Colorado	116.57	8
U.S. Average	108.10	-

Source: Governmental Finances in 1967-68 (U.S. Dept. of Commerce, Bureau of the Census, 1969).

TABLE 3.13

Per Capita Federal Aid
Eight Western States and United States Average
Fiscal Year 1968

State	Per Capita Federal Aid	Rank
Wyoming	$236.59	1
Utah	135.67	2
Nevada	130.05	3
MONTANA	127.95	4
South Dakota	127.09	5
North Dakota	116.02	6
Colorado	104.66	7
Idaho	100.57	8
U.S. Average	85.96	-

Source: Governmental Finances in 1967-68 (U.S. Dept. of Commerce, Bureau of the Census, 1969).

quired to provide the desired level of government in the eight western states than are required in other more densely populated states.

With a general understanding of Montana fiscal affairs relative to other states, a more detailed analysis of the sources of revenue used by state and local governments is undertaken.

Various tax systems have evolved to finance state and local government expenditures, all relying heavily on the property tax. Montana receives a larger percentage of total revenue from property taxes than any other western state.

All of the eight western states received more than the average amount of total revenue from federal aid. Montana also gained more than the average percentage of total revenue from the property tax and from other own revenue, which comprises fees and licenses as well as charges for some governmental services. Data in Table 3.14 show that Montana received less than the average amount of total revenue from all other sources. The main problem of relying so heavily on the property tax is the slow growth of the tax base. When revenue needs increase, tax rates must increase because the tax base generally grows slower than the demand for government services.

Table 3.15 shows that Montana's average annual percentage rate of growth in per capita total revenue was slower than that of any other western state, with the exception of Nevada. It was three percentage points below the national average. The explanation for this slower than average growth lies partly in the slow growth of federal aid, which accounts for 23 percent of total revenue to the state, and partly in the heavy reliance of government in Montana on the property tax. Per capita revenue from property taxes grew faster than the national average in Montana, but slower than the average rate of growth of per capita revenue from any other source. Property taxes and federal aid combined accounted for 56.7 percent of state and local revenue in Montana in 1968.

Montana is the only state in the eight-state region which uses the income tax but not the sales tax as a source of revenue. Four states use both an income and a sales tax, and three states use only a sales tax. However, Montana alone uses only the income tax. For those states using both a sales tax and an income tax, the average annual percentage rate of growth in per capita revenue from own sources was 8.7 percent. The average annual percentage rate of growth for the three states using only a sales tax was 9.8 percent. Montana had an average annual percentage rate of growth in per capita revenue from own sources of 7.7 percent. The national average was 8.3 percent. One reason per capita revenue grows faster in states with both retail sales and income taxes is that these states rely less heavily on the property tax as a source of revenue. Revenue grows faster in states with only sales taxes than in states with only income taxes, primarily because it seems to be easier to raise sales tax rates than to raise income tax rates.

TABLE 3.14

Revenue from Selected Sources as
Percentage of Total State and Local Revenue
Eight Western States and United States Average
Fiscal Year 1968

State	Property Tax	Income Tax	General Sales Tax	All Other Taxes	Other Own Revenue	Federal Aid	Total Revenue
Colorado	28.6	10.3	9.4	14.9	18.2	18.7	100.0
Idaho	23.8	12.1	10.0	17.2	16.8	20.1	100.0
MONTANA	34.0	9.4	----	16.8	17.1	22.7	100.0
Nevada	25.7	----	10.9	24.8	20.1	18.6	100.0
North Dakota	25.2	4.5	8.9	14.0	28.2	19.3	100.0
South Dakota	33.3	----	9.1	17.3	16.8	23.3	100.0
Utah	23.2	9.6	10.6	13.1	17.9	25.5	100.0
Wyoming	26.2	----	9.7	15.2	19.2	29.8	100.0
U.S. Average	27.4	10.3[1]	11.8[1]	17.2	16.3	17.0	100.0

Sources: State Government Finances in 1968 (U.S. Dept. of Commerce, Bureau of the Census, 1969).

Governmental Finances in 1967-68 (U.S. Dept. of Commerce, Bureau of the Census, 1969).

1. Average of states using the tax.

TABLE 3.15

Average Annual Percentage Rate of Increase in Per Capita Revenue from Selected Sources Eight Western States and United States Average Fiscal Year 1964 to 1968

State	Property Tax	Income Tax	General Sales Tax	Total Taxes	Other Own Revenue	Total Own Revenue	Federal Aid	Total Revenue
Colorado	4.0	10.0	14.2	6.7	11.3	7.6	10.8	8.2
Idaho	2.9	7.5	----[1]	9.1	10.0	9.3	11.3	9.7
MONTANA	6.2	17.4	----	7.2	9.2	7.7	5.3	7.1
Nevada	13.0	----	10.0	3.2	11.3	8.8	0.3	7.0
North Dakota	6.2	17.1	12.9	7.4	14.0	9.5	7.9	9.2
South Dakota	9.1	----	18.3	9.6	10.6	9.8	10.4	9.9
Utah	5.2	17.4	4.1	6.1	17.3	8.4	9.2	8.6
Wyoming	9.0	----	19.1	11.1	10.0	10.8	6.0	9.2
U.S. Average	5.7	11.1	8.4	7.9	10.4	8.3	13.2	9.1

Sources: Governmental Finances in 1963-64 and 1967-68 (U.S. Department of Commerce, Bureau of the Census).

State Government Finance in 1964 and 1968 (U.S. Department of Commerce, Bureau of the Census).

1. Idaho instituted a sales tax in 1965.

The three states with the smallest percentage of total revenue derived from the property tax all employ both a sales and an income tax. The next two states employ only a sales tax. Montana, using only an income tax, relied on the property tax for 34 percent of total revenue; highest in the eight state region.

Montana ranked seventh among the eight western states in the average annual percentage rate of growth of per capita state and local revenue and fourth in the growth of per capita personal income. This indicates that Montana is devoting a smaller portion of additional income to support state and local government than are other states in the western region.

The average annual percentage rates of growth in per capita income, revenue, and expenditure (see Table 3.16) were all lower than the national average in Montana. Montana's growth rate for per capita personal income was slightly above the eight state average, but the rate of growth in government revenue and expenditure was below average for the eight state region.

State and Local Revenue in Montana

Table 3.17 shows state and local revenue in Montana from 1958 to 1968 and the average annual percentage rate of increase in revenue from several revenue sources. Intergovernmental revenue from the federal government has been the fastest growing source of revenue to state and local governments in Montana during this ten-year period. Intergovernmental revenue was 16.8 percent of total general revenue of state and local governments in Montana in 1958, and 22.7 percent of total general revenue in 1968. Property tax revenue decreased from 39.4 percent of total general revenue in 1958 to 34 percent of total general revenue in 1968. However, it was still the largest single source of revenue to state and local governments in Montana. Charges and miscellaneous revenue, the second fastest growing source of state and local revenue, was 15 percent of state and local general revenue in 1958, and 17.1 percent of total general revenue in 1968. The average annual percentage rate of increase for total general revenue of state and local governments from all sources was 7.3 percent.

State and Local Expenditure in Montana

Table 3.18 shows general expenditures of state and local governments in Montana from 1958 to 1968, the average annual rate of increase in expenditures for each function during this period, and each expenditure category as a percent of total general expenditure for each year. Spending for education and sewer and sewerage disposal were the fastest growing categories of expenditure over this ten-year period. They grew at average annual rates of 8.9 percent and 12.0 percent respectively. Education is and has been the largest category of expenditure by state and local governments in Montana. It increased from 34.9 percent to 42.7 percent of total general expenditure from 1958 to 1968. Expenditure for

TABLE 3.16

Average Annual Percentage Rate of Increase in Per Capita Income, Revenue, and Expenditure Eight Western States and United States Average Fiscal Year 1964 to 1968

State	Per Capita Income	Per Capita Revenue	Per Capita Expenditure
Colorado	6.2	8.2	8.0
Idaho	7.6	9.7	9.2
MONTANA	5.9	7.1	9.0
Nevada	5.1	7.0	10.8
North Dakota	5.0	9.2	10.0
South Dakota	8.3	9.9	12.5
Utah	5.3	8.6	9.9
Wyoming	4.9	9.2	12.3
U.S. Average	6.6	9.1	9.9

Sources: Governmental Finances in 1963-64 and 1967-68 (U.S. Dept. of Commerce, Bureau of the Census).

State Government Finances in 1964 and 1968 (U.S. Dept. of Commerce, Bureau of the Census).

TABLE 3.17

State and Local General Revenue in Montana and
Average Annual Growth Rates by Revenue Service
1958 to 1968

Year	Total General Revenue	Fed. Aid	Own General Revenue	Total Taxes	Property Tax	Other Taxes	Charges & Misc.
			(Millions of Dollars)				
1958	$197.1	$33.1	$164.0	$134.5	$77.6	$56.9	$29.5
1959	225.3	49.2	176.1	143.6	84.5	59.1	32.5
1960	238.0	52.7	185.2	148.7	85.4	63.3	36.5
1961	242.2	48.2	194.0	157.6	90.1	67.5	36.4
1962	252.7	52.9	199.8	161.6	91.5	70.1	38.2
1963	276.9	63.4	213.5	169.2	96.3	72.9	44.3
1964	302.4	73.5	228.9	181.1	106.2	74.9	47.8
1965	322.3	84.4	237.9	187.0	107.7	79.3	50.9
1966	347.6	85.8	261.8	203.5	114.1	89.5	58.3
1967	360.0	89.8	270.2	210.0	117.2	92.9	60.2
1968	390.9	88.7	302.3	235.5	132.8	102.7	66.8
			(Percent)				
Annual Rate of Increase:	7.3	10.4	6.4	5.8	5.5	6.1	8.5

Source: Governmental Finances in 1958 and subsequent years (U.S. Dept. of Commerce, Bureau of the Census).

TABLE 3.18

State and Local General Expenditure in Montana,
Average Annual Percentage Rates of Increase in Expenditure by Category
and Each Expenditure Category as a Percent of Total State and Local Expenditure
1958 to 1968

Year	Total General Exp.	Education	Highways	Public Welfare	Health and Hospitals	Police	Local Fire	Sewage & Sewerage Disposal	Other Sanitation	General Control	Interest on General Debt	All Other
					(Millions of Dollars)							
1958	197.6	69.0	52.3	14.9	11.1	4.6	1.8	1.9	1.4	9.1	4.3	27.2
1959	219.6	74.7	63.2	14.1	12.3	5.0	2.1	2.2	1.4	9.7	4.5	30.4
1960	226.6	79.1	60.2	15.0	13.1	5.3	2.1	4.7	1.4	10.8	4.5	30.4
1961	242.7	92.4	64.3	15.5	10.9	5.7	2.3	3.2	1.4	10.9	4.8	30.2
1962	244.6	92.0	66.5	15.6	10.8	5.7	2.4	3.2	1.5	10.4	5.3	31.1
1963	280.4	108.3	79.0	16.1	11.4	6.4	2.4	5.4	1.6	12.0	6.4	31.4
1964	301.5	117.0	90.8	16.0	11.6	6.8	2.5	4.1	1.5	11.5	5.8	33.8
1965	327.2	128.5	98.5	17.6	12.2	7.2	2.8	2.1	2.0	12.3	6.7	37.4
1966	345.3	133.7	102.2	20.2	13.7	7.4	3.2	2.7	2.1	12.4	7.2	40.4
1967	357.0	140.4	95.9	20.0	14.6	7.1	3.3	6.2	2.2	14.2	7.4	45.8
1968	383.4	163.7	88.0	24.6	15.9	8.0	3.2	5.9	2.4	14.4	7.8	49.6
Average annual percent rate of increase:												
	6.9	8.9	5.3	5.1	3.7	5.7	5.9	12.0	5.5	4.7	6.1	6.2
				Each Category as a Percent of Total General Expenditure								
1958	100.0	34.9	26.5	7.5	5.6	2.3	.9	1.0	.7	4.6	2.2	13.8
1959	100.0	34.0	28.8	6.4	5.6	2.3	1.0	1.0	.6	4.4	2.0	13.8
1960	100.0	34.9	26.6	6.6	5.8	2.3	.9	2.1	.6	4.8	2.0	13.4
1961	100.0	38.1	26.5	6.4	4.5	2.3	.9	1.3	.6	4.5	2.0	12.4
1962	100.0	37.6	27.2	6.4	4.4	2.3	1.0	1.3	.6	4.3	2.2	12.7
1963	100.0	38.6	28.2	5.7	4.1	2.3	.9	1.9	.6	4.3	2.3	11.2
1964	100.0	38.8	30.1	5.3	3.8	2.3	.8	1.4	.5	3.8	1.9	11.2
1965	100.0	39.3	30.1	5.4	3.7	2.2	.9	.6	.6	3.8	2.0	11.4
1966	100.0	38.7	29.6	5.8	4.0	2.1	.9	.8	.6	3.6	2.1	11.7
1967	100.0	39.3	26.9	5.6	4.1	2.0	.9	1.7	.6	4.0	2.1	12.8
1968	100.0	42.7	23.0	6.4	4.1	2.1	.8	1.5	.6	3.8	2.0	12.9

Source: Governmental Finances in the United States in 1958 and subsequent issues (U.S. Dept. of Commerce, Bureau of the Census).

highways, the second largest expenditure category in Montana, decreased from 26.5 percent to 23.0 percent of general expenditure from 1958 to 1968.

Montana State and Local Governments as Employers

There are several ways to view state and local governments. One way is to look at what they do in terms of expenditures on various functions of government. Another way is to look at how they do their job. One of the most important aspects of state and local governments in Montana is employment. In 1967, state and local governments in the United States employed 8.9 million people and paid them $4.2 billion, over half of which was paid to employees working in state and local education systems. Ten years earlier, state and local governments in the United States employed 5.6 million people with payrolls slightly over $1.6 billion.

Table 3.19 shows the full-time equivalent employment of state and local governments in Montana by level of government from 1953 to 1967. Total state and local employment grew from 18,466 in 1953 to 29,022 in 1967, a 57.2 percent increase. In 1967 the state employed 10,654 and local governments employed 18,368. State employment grew 80.1 percent while local government employment grew 46.2 percent from 1953 to 1967. During the fourteen-year period, state employment grew at an annual rate of 4.3 percent, about 1.6 percentage points higher than the annual growth in local government employment. Consequently, the state share in total state-local employment increased from 31.9 percent in 1953 to 36.7 percent in 1967. The local share had a corresponding decrease during the fourteen-year period.

State and local government employment in Montana has grown faster than population during the fourteen-year period. In 1953, there were 299.8 government employees for each 10,000 population, and by 1967 that figure had grown to 414.0 employees per 10,000 population. During the fourteen-year period, growth in employees per 10,000 populations has been about 20 percentage points below the growth in the absolute size of state and local government employment.

In 1967, Montana state and local governments paid employees a total of $179,236,000 (see Table 3.20). Local governments paid about 60 percent and the state government paid about 40 percent of the payrolls. It is interesting to note that while state and local employment grew by 16.6 percent from 1962 to 1967, state and local payrolls grew 41.8 percent, more than twice as much. The annual rate of growth in payrolls of state and local governments combined was 7.2 percent, while the annual rate of growth in employment was 3.0 percent from 1962 to 1967.

It is also interesting to note that in 1957, the average wage paid to state and local employees was $3,781. By 1967 the average wage had grown to $5,492. The average wage in 1967 was $1,711 larger than it was in 1957. The $1,711 was an increase of 45.2 percent, and amounted to an annual growth rate of 3.8 percent per year. In 1957, the state paid an

TABLE 3.19

Full-time Equivalent Employment of State and Local Governments in Montana By Level of Government Selected Years 1953 to 1967

Year	State Employment	Local Employment	Total State & Local Employment	State Percent	Local Percent	Total State & Local Percent	Employees Per 10,000 Population State	Local	Total State & Local
1953	5,899	12,567	18,466	31.9	68.1	100.0	95.8	204.0	299.8
1957	6,600	14,322	20,922	31.5	68.5	100.0	99.0	214.7	313.7
1962	7,985	16,908	24,893	32.1	67.9	100.0	114.6	242.6	357.2
1967	10,654	18,368	29,022	36.7	63.3	100.0	152.0	262.0	414.0
Percent Increase:	80.1	46.2	57.2	----	----	-----	58.7	28.4	38.1
Annual Percent Growth:	4.3	2.7	3.3	----	----	-----	3.4	1.8	2.3

Source: 1967 Census of Governments: Topical Studies; Vol.6 (U.S. Dept. of Commerce, Bureau of the Census).

TABLE 3.20

Expenditure by State and Local Governments in Montana for Personal Services 1951-68

Year	State	Local	Total
1951	15,872	NA*	-------
1952	17,005	NA	-------
1953	18,995	NA	-------
1954	19,350	NA	-------
1955	22,930	NA	-------
1956	24,876	NA	-------
1957	26,499	52,611	79,110
1958	30,331	NA	NA
1959	33,348	NA	NA
1960	36,668	NA	NA
1961	40,714	68,100	108,814
1962	40,779	71,600	112,379
1963	43,846	81,100	124,946
1964	48,849	85,200	134,409
1965	52,577	91,300	143,877
1966	57,986	97,300	155,286
1967	61,686	97,700	159,386
1968	71,536	107,700	179,236
1962-67	41.8	51.3	36.5

Sources: Governmental Finances, 1961, 1967-68 (U.S. Dept. of Commerce, Bureau of the Census).

State Government Finances, 1951-68 (U.S. Dept. of Commerce, Bureau of the Census).

Note: Expenditure for personal services constitutes amounts paid for compensation of offices and employees of government. It consists of gross compensation before any deductions for taxes, retirement plans, or other purposes.

*NA means not available.

average wage of $4,015, which had grown to $5,790 by 1967. The increase in the average wage paid by the state was $1,775, a 44.2 percent increase. The average annual growth in wages paid by the state was only 3.7 percent per year. Local governments paid an average wage in 1957 of $3,673 and in 1967 the average local wage payment was $5,319 an increase of $1,646. The increase amounted to a growth over the period of 44.8 percent and the average annual growth rate was 3.8 percent.

The magnitude of state wage and salary payments is of interest in itself. Without an increase in the number of employees and, say, a 5 percent increase on the average in wages and salaries, it would take about $3.6 million the first year at the 1968 rates and $3.8 million the second year. Over a two-year period such annual wage increases of 5 percent per year would require about $7.4 million.

If the state had employed the same number of people in 1967 as it employed in 1957, but had allowed average wages to increase at 5.0 percent per year, the total wage bill at the state level would have been $43.2 million or an average wage per employees of $6,540. If the state had allowed wages to increase at 5.0 percent per year and increased employment as it did from 1957 to 1967, the total wage bill would have been $70.0 million in 1967, instead of the $62.0 million it actually paid to employees. State employees received wages and salaries about 13 percent below what they would have been had wage and salary payments grown at 5.0 percent per year from 1957 to 1967.

There is a wide diversity among the states in the percent of employees at the state and local levels of government. The basic differences among the states in this respect arise because of the different responsibilities assigned to local units of government. Table 3.21 shows that New York has the lowest percentage (19.6 percent) of state and local employees working at the state level of government, and consequently the highest percentage (80.4 percent) working at the local level. Hawaii, has the highest concentration of employees at the state level of all the states by a wide margin. In 1967, 72.3 percent of all state and local employees in Hawaii worked at the state level and 27.7 percent worked at the local level. Montana has about 10.6 percent more of its employees working at the state level than the average of the fifty states and the District of Columbia.

Montana ranked forty-second in the number of state and local employees with 29,022 full-time equivalent employees in 1967. The smallest employer is Alaska with 12,726 state and local employees in 1967. New York was the largest employer with 812,811 full-time equivalent employees in state and local government in 1967.

The number of state and local employees per 10,000 population varies considerably among the states. In 1967 Wyoming had 566.7 state and local employees for each 10,000 population. On the low side, California had only 207.0 state and local employees per 10,000 population in 1967. Montana ranked thirteenth among the fifty states and the District of Columbia having 414.0 state and local government employees per 10,000 population.

TABLE 3.21

Percent Share of Employment and Employees Per 10,000 Population By Level of Government By State October 1967

State	State Employees (Percent)	Local Employees (Percent)	Total State & Local (Percent)	Total Full-time Equivalent Employees	Employees Per 10,000 Population: State	Employees Per 10,000 Population: Local	Employees Per 10,000 Population: Total State & Local
Alabama	25.8	74.2	100.0	120,432	91.4	248.8	340.2
Alaska	53.5	46.5	100.0	12,726	250.1	217.7	467.9
Arizona	27.8	72.2	100.0	66,654	113.5	294.5	407.9
Arkansas	31.8	68.2	100.0	66,549	107.6	230.6	338.2
California	28.7	71.3	100.0	780,502	59.3	147.7	207.0
Colorado	30.2	69.8	100.0	91,217	139.4	322.4	461.9
Connecticut	34.1	65.9	100.0	101,409	118.4	228.3	346.7
Delaware	46.5	53.5	100.0	21,205	188.7	216.8	405.4
Florida	22.6	77.4	100.0	247,874	93.4	320.0	413.5
Georgia	23.5	76.5	100.0	164,749	86.0	279.4	365.4
Hawaii	72.3	27.7	100.0	31,932	312.3	119.8	432.1
Idaho	29.9	70.1	100.0	27,596	118.1	276.7	394.8
Illinois	23.9	76.1	100.0	383,063	84.2	267.5	351.7
Indiana	27.0	73.0	100.0	180,881	97.7	264.1	361.8
Iowa	27.6	72.4	100.0	108,163	108.6	284.3	392.9
Kansas	29.2	70.8	100.0	95,448	122.6	297.0	419.6
Kentucky	34.6	65.4	100.0	106,130	115.1	217.7	332.8
Louisiana	33.9	66.1	100.0	119,827	120.4	235.1	355.5
Maine	37.0	63.0	100.0	34,904	132.6	226.2	358.7
Maryland	26.8	73.2	100.0	141,717	103.1	281.8	384.9
Massachusetts	23.6	76.4	100.0	204,164	80.1	259.0	339.0
Michigan	24.9	75.1	100.0	322,308	93.5	282.0	375.5
Minnesota	27.0	73.0	100.0	138,026	104.1	281.2	385.3
Mississippi	28.4	71.6	100.0	83,112	100.4	253.6	354.0
Missouri	27.9	72.1	100.0	161,175	97.7	252.5	350.2
MONTANA	36.7	63.3	100.0	29,022	152.0	262.0	414.0
Nebraska	27.6	72.4	100.0	60,784	117.0	306.6	423.6
Nevada	27.2	72.8	100.0	20,772	127.4	340.4	467.8
New Hampshire	35.9	64.1	100.0	23,283	121.8	217.6	339.4
New Jersey	19.8	80.2	100.0	228,367	64.7	261.4	326.1
New Mexico	37.9	62.1	100.0	32,722	163.7	268.4	432.2
New York	19.6	80.4	100.0	812,811	86.9	356.4	443.3
N. Carolina	31.0	69.0	100.0	165,635	102.0	227.4	329.4
N. Dakota	34.4	65.6	100.0	25,740	138.4	264.4	402.8
Ohio	20.5	79.5	100.0	346,721	67.9	263.6	331.5
Oklahoma	33.7	66.3	100.0	99,683	134.8	264.7	399.5
Oregon	33.6	66.4	100.0	84,492	142.0	280.7	422.7
Pennsylvania	29.1	70.9	100.0	366,848	91.9	223.6	315.5
Rhode Island	39.7	60.3	100.0	31,449	138.6	210.8	349.4
S. Carolina	30.8	69.2	100.0	84,077	99.7	223.8	323.5
S. Dakota	32.7	67.3	100.0	28,791	139.8	287.3	427.2
Tennessee	26.6	73.4	100.0	145,726	99.7	274.7	374.4
Texas	22.9	77.1	100.0	388,312	81.6	275.6	357.3
Utah	36.2	63.8	100.0	41,476	146.7	258.4	405.0
Vermont	45.6	54.4	100.0	15,252	166.8	198.9	365.8
Virginia	32.6	67.4	100.0	157,615	113.3	234.1	347.5
Washington	29.2	70.8	100.0	135,074	127.7	309.8	437.6
W. Virginia	40.9	59.1	100.0	66,901	152.0	220.0	372.1
Wisconsin	24.7	75.3	100.0	156,866	92.4	282.1	374.5
Wyoming	33.7	66.3	100.0	17,851	190.8	375.9	566.7
District of Columbia	----	100.0	100.0	38,058	-----	470.4	470.4
Average	26.1	73.9	100.0	7,454,252	98.3	278.4	376.7
States Above Montana	8	41	-----	41	6	27	13
Montana-Average	10.6	-10.6	-----	-------	53.7	-16.4	37.3

Source: 1967 Census of Government: Topical Studies; Historical Statistics on Government Finances & Employment, Vol. 6, No. 5 (U.S. Dept. of Commerce, Bureau of the Census), Table 20.

The contrast between California and Wyoming serves to illustrate that sparse population is expensive to serve with government services.

Table 3.22 was prepared to show the importance of government employment by functions of government in Montana and how the employment in each of these functions has changed over time. In 1967, education was the largest employer of persons by state and local government in Montana. The 14,572 employees in education constituted 50.2 percent of all state and local employees. Highways was the second largest employer, and health and hospitals the third largest employer. In 1967, education employed 207.9 persons per 10,000 population, highways employed 48.2 per 10,000 population, and health and hospitals employed 34.4 per 10,000 population. The fastest growing employment sector was the annual growth of 7.3 percent in health and hospitals. Sanitation and education were the second and third fastest growing functions, showing annual growth rates of 4.6 percent and 4.3 percent respectively. Public welfare was the fourth fastest growing function of government in terms of employment.

TABLE 3.22

Full-time Equivalent Employment of State and Local
Governments in Montana By Function in Total, in Percent, and Per 10,000 Population
Selected Years 1953 to 1967

	Education	Highways	Public Welfare	Health and Hospitals	Police	Local Fire	Sanitation	Natural Resources	Local Utilities	All Other	Total
1953											
Total	8,127	2,616	430	905	762	272	184	1,292	343	3,535	18,466
Percent	44.0	14.2	2.3	4.9	4.1	1.5	1.0	7.0	1.9	19.1	100.0
Per 10,000 Pop.	131.9	42.5	7.0	14.7	12.4	4.4	3.0	21.0	5.6	57.4	299.8
1957											
Total	9,920	2,747	425	1,299	889	295	219	1,191	390	3,547	20,922
Percent	47.4	13.1	2.0	6.2	4.2	1.4	1.0	5.7	1.9	17.0	100.0
Per 10,000 Pop.	148.7	41.2	6.4	19.5	13.3	4.4	3.3	17.9	5.8	53.2	313.7
1962											
Total	12,043	3,301	509	1,835	1,062	330	294	1,138	342	4,039	24,893
Percent	48.4	13.3	2.0	7.4	4.3	1.3	1.2	4.6	1.4	16.2	100.0
Per 10,000 Pop.	172.8	47.4	7.3	26.3	15.2	4.7	4.2	16.3	4.9	57.9	357.2
1967											
Total	14,572	3,381	723	2,411	1,157	354	341	1,243	260	4,580	29,022
Percent	50.2	11.6	2.5	8.3	4.0	1.2	1.1	4.3	0.9	15.9	100.0
Per 10,000 Pop.	207.9	48.2	10.3	34.4	16.5	5.0	4.9	17.7	3.7	65.4	414.0
Percent Increase 1953-67	+79.3	+29.2	+68.1	+166.4	+51.8	+30.1	+85.3	-3.8	-24.2	+29.6	+57.2
Average Annual Growth	4.3%	1.8%	3.8%	7.3%	3.1%	1.9%	4.6%	----	-----	1.9%	3.3%

Source: 1967 Census of Governments: Topical Studies; Historical Statistics on Governmental Finances and Employment, Vol. 6, No. 5 (U.S. Department of Commerce, Bureau of the Census), Table 20.

Note: These categories were aggregated to facilitate presentation. Further clarification is necessary. Education includes institutions of higher education, local schools, and employees in state offices associated with education. Highways include the State Highway Department and County and City road and street departments. Public welfare includes both state and local employees. Health and hospitals include state and local employees providing health services and state and county hospital employees. Police protection includes all state and local law enforcement officers and supporting personnel including those of jails and prisons. Sanitation includes local government activities relating to sewers and sewerage disposal, street cleaning, and waste collection. Natural resources include agriculture, fish and game, forestry and parks, and soil and water conservation. Local utilities include water supply system. Other includes general control and financial administration including the legislature, commissions, and other administrative bodies.

CHAPTER 4

STATE GOVERNMENT FINANCE IN MONTANA

Introduction

The review of Montana State expenditures and revenues presented in this chapter is designed to serve as a general background and to provide perspective for a detailed analysis of which is presented later, of the trends and structures of particular state and local taxes and expenditures. The revenue data is intended to provide the broadest possible view of the state revenue system and thereby to lead to a broad perspective of particular revenue sources as they are discussed. The expenditure data provides an overview of what Montanans have obtained in the form of services in return for their state taxes and other money paid to the government.

We proceed by investigating government expenditures by functions of government. Then we investigate the fiscal relations between state and local governments in Montana, carefully examining the fiscal effects of the major program of state aid to local governments in Montana. Finally, the trends and structures of state taxes and other revenues in Montana are examined.

Total State General Expenditure in Montana

Total state general expenditure comprises state expenditure on the general functions of government, including the funds the state receives from federal and local governments, but it excludes expenditure of state liquor stores and insurance trust systems, such as the public employee's retirement system. From 1951 to 1968, total state general expenditure grew from $67.5 million to $233.1 million (see Table 4.1). During that seventeen-year period, the growth in total general expenditure was 7.6 percent annually. From 1961 to 1968, total general expenditure grew at an annual rate of 8.1 percent per year, about one-half of 1 percent more per year than it grew from 1951 to 1968.

In 1951, education made up 26 percent of total general expenditure; by 1968, education expenditure comprised 40 percent of the total. Highway expenditure comprised 29 percent of total general expenditure by 1951 and 31 percent of the total in 1968. Public welfare expenditure by the state government made up 19 percent of the total in 1951, but dropped to only 7 percent in 1968, because of the relative slow growth in the expenditure for public welfare purposes.

TABLE 4.1

State of Montana Total General Expenditure
By Function for Selected Years
1951-68

Fiscal Year Ending	Total General Expenditure	Education	Highways	Public Welfare	Health and Hospitals	Police Protection and Correction	Natural Resources	General Control and Financial Administration	Miscellaneous E.S.A.[2]	Own State Expenditure	General Fund Expenditure	General Fund Expenditure As Percent of Own State Expenditure
(Millions of Dollars[1])												
1951	67.5	17.4	19.6	13.1	5.7	1.4	5.6	1.8	2.8	45.8	21.0	45.9
1953	96.6	25.3	22.0	13.6	4.7	1.9	5.4	2.0	21.6	74.2	20.7	27.9
1955	79.9	22.1	24.3	12.8	4.8	2.3	6.0	2.2	5.4	56.6	21.6	38.2
1957	101.0	27.2	37.0	12.8	5.9	2.5	7.3	2.9	5.4	66.8	25.7	38.5
1959	127.6	33.5	49.1	13.1	6.7	3.5	8.2	3.2	10.5	78.3	33.6	42.9
1961	135.7	42.1	49.0	12.6	6.4	3.9	8.8	3.7	9.3	89.0	37.2	41.8
1963	152.0	44.5	63.4	12.6	6.4	3.7	8.0	3.9	9.6	91.7	39.0	42.5
1965	189.7	58.9	81.3	12.2	7.2	4.1	9.2	4.5	12.2	107.3	47.8	44.5
1967	214.0	76.8	77.7	15.6	8.7	5.0	11.1	5.7	13.4	127.0	49.6	39.1
1968	233.1	92.4	71.2	20.1	10.5	5.8	12.7	5.7	14.7	146.8	61.0	41.6
Annual Growth (Percent)												
1951-68	7.6	10.3	7.9	2.5	3.7	8.7	4.9	7.0	10.2	7.1	6.5	----
1961-68	8.1	11.1	5.5	6.9	7.3	5.9	5.4	6.4	6.8	7.4	7.3	----
Shares in Total												
1951	100	26	29	19	8	2	8	3	4	-----	----	----
1961	100	31	36	9	5	3	6	3	7	-----	----	----
1968	100	40	31	7	5	2	6	2	6	-----	----	----

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

2. E.S.A. refers to Employment Security Administration.

Education, highways, and public welfare, which are the largest functions in terms of general expenditure, comprise 78 percent of total state general expenditures. All but 11 percent of total state general expenditure can be accounted for by adding health and hospitals and natural resources expenditure to the three largest functions.

Table 4.1 also contains an exhibit showing the relationship between own state general expenditure and general fund expenditure. Own state general expenditure is derived by taking total general expenditure and subtracting federal to state aid and local to state payments; so the result is general expenditure of the state from its own sources. The relation of the general fund to own general expenditure is quite variable over time. General fund expenditure as a percent of own general expenditure varies from a high of 45.9 percent in 1951 to a low of 27.9 percent in 1953. On the average, general fund expenditures are about 40 percent of own general expenditures. Hence, 60 percent of the expenditures of funds from the state's own sources are made from special funds, most of which are committed by statute or by the constitution. This obviously restricts the flexibility of the legislature.

With this broad perspective of total state general expenditure, we proceed with a detailed analysis of each of the components or functions of government.

Higher Education Expenditure

Higher education expenditure in Montana is expenditure by the state of funds to support the six units of the Montana university system. In 1951, total higher education expenditure reported by the Bureau of the Census was $7.0 million; by 1968, the total was $47.3 million (see Table 4.2). During the seventeen-year period, higher education expenditure grew at an annual rate of 11.8 percent per year. From 1961 to 1968, higher education expenditure grew at 10.9 percent per year.

The Census Bureau classifies total higher education expenditure into several categories. Under the general category of current operation expenditures are several subcategories called commercial activities, which are expenditures by the institutions to operate dormitories, food service programs, and athletic events. Other current operations expenditures include teaching and research activities. Commercial activities expenditures were $1.9 million in 1951, and had grown to $6.5 million by 1968, an annual rate of increase of 7.5 percent per year. Teaching and research costs were $4.2 million in 1951 and $28.4 million in 1968. Teaching and research costs grew at an annual rate of 11.8 percent during the seventeen-year period from 1951 to 1968.

The other major Census Bureau expenditure classification is capital outaly expenditure. In 1951, the university system capital outlay was only $0.9 million, but it had grown to $12.4 million by 1968 at a growth rate of 16.8 percent per year. Note that in the seven years from 1961 to 1968, capital outlay expenditure grew at a rate of 8.5 percent per year,

TABLE 4.2

State of Montana Higher Education
Expenditure in Detail
For Selected Years
1951-68

Fiscal Year Ending	Total Higher Education Expenditure	Commercial Activities	Other	Capital Outlay
		(Millions of Dollars[1])		
1951	7.0	1.9	4.2	0.9
1953	10.6	1.8	4.4	4.4
1955	8.3	1.4	5.3	1.6
1957	13.5	2.2	6.6	4.8
1959	16.9	3.5	9.4	4.1
1961	22.2	3.6	11.7	7.0
1963	21.8	5.4	14.0	2.4
1965	29.8	6.4	17.6	5.8
1967	38.9	6.5	22.0	10.5
1968	47.3	6.5	28.4	12.4
		Annual Growth (Percent)		
1951-68	11.8	7.5	11.8	16.8
1961-68	10.9	8.9	13.5	8.5
		Shares in Total		
1951	100	27	60	13
1961	100	16	53	32
1968	100	14	60	26

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

about 8.3 percentage points below the seventeen-year growth rate. It should also be noted that the capital outlay expenditure of state institutions of higher education comprises revenue bond financing as well as general obligation bond financing. Revenue bonds are bonds sold by a university unit to finance the construction of a building. Revenue from charges is used to retire these bonds. On the other hand, general obligation bonds are sold by the state, and revenue from tax sources is earmarked to retire these bonds.

By looking at total expenditures on higher education in relation to other components of state spending, the conclusion is generally drawn that higher education is doing very well. The growth in aggregate expenditure in higher education exceeds the growth rates of all other functions except for elementary and secondary education. However, the seven-year growth rate in aggregate expenditure of 10.9 percent per year is markedly reduced when the expenditure is divided by the number of students. If total higher education expenditures in column 1 of Table 4.2 and student enrollments in columns 1 and 2 of Table 4.3 are used to compute total higher education expenditure per student in 1961 and in 1968, a quite different growth picture emerges. In 1961, total expenditure per student was $1,904; in 1968 it was $2,289. During the seven-year period, it had grown $385. The average annual growth in total higher education per student from 1961 to 1968 was 2.6 percent per year. Thus, although growth in the total higher education expenditure is high among the other functions of government, the growth of expenditure per student is low in absolute terms in Montana and low relative to growth in expenditure per student across the country.

Higher education is primarily a state function in all of the states. For this reason, higher education is one function of state government that is reasonably easy to compare from state-to-state. Comparisons of support levels per student can be made with reasonable confidence in their accuracy.

Table 4.3 was prepared to show enrollments in 1961 and 1968, state tax fund appropriations, appropriations per student, and growth rates from 1961 to 1968 in these magnitudes in state institutions of higher education. Table 4.3 shows that although Montana's appropriation per student ranked fourth in the nation at $963 per student in 1961, by 1968 Montana's appropriation per student of $1,034 ranked nineteenth among the fifty states. The average annual growth rate in state appropriations per student from 1961 to 1968 was 0.9 percent. This growth rate was 5.0 percentage points below the fifty-state average, and Montana's fifty-state rank in growth of state appropriations per student was forty-seventh. Idaho, Oklahoma, and North Dakota were the only states which were below Montana in growth of appropriations per student from 1961 to 1968.

Montana must be considered to have a relatively high appropriation per student. In 1961 Montana's appropriation per student exceeded

TABLE 4.3

State-by-State Comparisons of Student Enrollments and Appropriated State Tax Funds in 1960 and in 1967 for State Institutions of Higher Education

State	Student Enrollments		State Tax Fund Appropriations		Appropriations Per Student		Percent Increase in Appropriations Per Student Fiscal 1960-61 to 1967-68	Average Annual Growth Rate in Appropriations Per Student	Percent Increase in Enrollment 1960 to 1967
	Fall 1960[1]	Fall 1967[1]	Fiscal 1960-61[2] (000)	Fiscal 1967-68[2] (000)	Fiscal 1960-61	Fiscal 1967-68			
Alabama	36,927	71,348	$22,397	$58,192	607	816	34	4.3	93
Alaska	2,052	5,180	2,323	8,619	1,132	1,664	47	5.6	152
Arizona	33,825	77,366	16,218	46,281	479	598	25	3.2	129
Arkansas	19,216	37,221	13,551	38,985	705	1,047	49	5.8	94
California	396,834	863,139	221,592	534,075	558	619	11	1.5	118
Colorado	40,447	79,325	24,332	61,856	602	780	30	3.8	96
Connecticut	25,802	48,615	13,080	53,655	507	1,104	118	11.2	88
Delaware	6,018	12,781	3,734	11,313	620	885	43	5.2	112
Florida	51,614	138,506	41,412	128,109	802	925	15	2.0	168
Georgia	37,856	74,231	26,605	87,369	703	1,177	67	7.6	96
Hawaii	9,548	25,584	5,825	26,320	610	1,029	69	7.8	168
Idaho	8,984	20,511	8,800	20,101	980	980	--	---	128
Illinois	119,871	205,605	90,290	301,136	753	1,465	95	10.0	72
Indiana	64,514	111,341	50,163	132,628	778	1,191	53	6.3	73
Iowa	33,046	58,441	34,861	85,773	1,055	1,468	39	4.8	77
Kansas	43,125	73,796	27,938	59,003	648	800	23	3.0	71
Kentucky	35,018	66,086	19,672	74,371	562	1,125	100	10.4	89
Louisiana	46,530	84,807	44,557	93,123	958	1,098	15	2.0	82
Maine	8,591	17,299	5,599	18,167	652	1,050	61	7.0	101
Maryland	37,514	82,547	25,166	67,700	671	820	22	2.9	120
Massachusetts	40,286	75,903	13,361	57,667	332	760	129	14.1	88
Michigan	134,395	266,225	101,836	231,567	758	870	15	2.0	98
Minnesota	60,019	109,510	38,920	95,034	648	868	34	3.5	82
Mississippi	31,096	56,732	18,347	36,720	590	647	10	1.3	82
Missouri	54,650	101,962	25,641	92,934	469	911	94	9.9	87
MONTANA	11,662	20,663	11,231	21,375	963	1,034	7	.9	77
Nebraska	25,365	41,753	15,218	33,248	600	796	33	4.2	65
Nevada	4,141	8,575	4,107	11,773	992	1,373	38	4.7	107
New Hampshire	6,799	13,810	4,106	9,201	604	666	10	1.4	103
New Jersey	50,689	90,421	24,457	83,758	482	926	92	9.8	78
New Mexico	16,051	30,992	11,239	28,954	700	934	33	4.2	93
New York	169,563	326,961	94,115	431,212	555	1,319	138	13.2	93
N. Carolina	44,757	87,372	30,574	106,550	683	1,219	78	8.6	95
N. Dakota	12,923	25,590	9,368	19,888	725	777	7	.9	98
Ohio	121,739	218,229	45,326	150,527	372	690	85	9.2	79
Oklahoma	47,599	82,952	27,020	46,858	568	565	---	---	74
Oregon	36,929	76,832	28,719	67,305	778	876	13	1.7	108
Pennsylvania	81,118	147,624	43,472	179,212	536	1,214	126	12.4	82
Rhode Island	10,283	19,521	5,271	18,401	513	943	84	9.1	90
S. Carolina	19,726	32,402	13,141	35,148	666	1,085	63	7.2	64
S. Dakota	10,955	20,765	8,128	16,992	742	818	10	1.3	90
Tennessee	42,432	75,591	17,023	64,472	401	853	113	11.8	78
Texas	148,243	278,156	72,133	234,109	487	842	75	8.2	88
Utah	17,966	40,411	13,139	33,695	731	834	14	1.8	125
Vermont	4,313	7,912	3,399	10,304	788	1,302	65	7.4	83
Virginia	44,127	89,446	29,861	74,335	677	831	23	3.0	103
Washington	56,590	123,875	47,441	137,051	838	1,106	32	4.1	119
W. Virginia	23,392	41,023	16,919	44,448	723	1,083	50	6.0	75
Wisconsin	58,632	122,131	39,417	131,505	672	1,077	60	6.9	108
Wyoming	6,571	12,010	4,935	11,123	751	926	23	3.0	83
Fifty States	2,451,143	4,799,078	1,515,979	4,422,142	619	921	49	5.9	96
Eight States	113,649	227,850	84,040	196,803	739	864	17	2.2	100
Montana's Rank Eight States					3	2	tie -- 6	tie -- 7	8
Montana's Rank Fifty States					4	19	tie --48	tie -- 48	tie -- 42

Sources: Statistical Abstract of the United States, 80th Edition, 1960; and 88th Edition, 1968 (U.S. Dept. of Commerce, Bureau of the Census).

M. M. Chambers, A Record of Progress: Ten Years of State Tax Support of Higher Education, 1959-60 through 1968-69 (Danville, Illinois: The Interstate Printers and Publisher, Inc., 1969), p. 5.

1. Total enrollment at beginning of the school year in state supported higher education institutions. The enrollment data for 1960 for public higher education institutions were derived by assuming that the relation between enrollment in public and private schools was the same in 1967 as in 1960. This assumption is likely to overstate enrollment in public institutions in 1960 because of the decline in importance of private institutions of higher education over time. This in turn, will understate the state appropriations per student in the 1960-61 fiscal year and thereby magnify the growth in appropriations per student between the 1960-61 and the 1967-68 fiscal years. However, if the tendency for less importance of private institutions in enrollment is uniform nationwide, comparisons among states should be valid. Enrollment in both public and private institutions of higher education was available on a consistent basis among the states in 1967 and that data was used to ascertain information on the relation between public and private enrollment necessary to compute public enrollment in 1960.

2. This data shows the annual fiscal year appropriations of funds by states for the fiscal years shown. They are purported to represent operating expenses only. They exclude capital outlay and any items appropriated which clearly originate from sources other than state taxes such as student fees or other institutional receipts. The data represent appropriations of state tax funds appropriated for annual operating expenses of state institutions of higher education.

the national average by $344 and exceeded the eight-state average by $224. By 1968, however, the amount by which appropriations per student exceeded the national average fell to $170 and the amount by which it exceeded the eight-state average fell to $113.

It is interesting to speculate why Montana has such as relatively high appropriation per student, especially among the eight states. In 1961, Montana's appropriation per student ranked third among the eight states and in 1968 its rank was second. During the seven-year period, 1961 to 1968, growth in appropriations per student in Montana ranked sixth among the eight states. On the other hand, growth in enrollment in Montana ranked eighth among the eight states. However, Montana's relatively high position among the eight states and indeed among the fifty states is not solely a matter of slower growth in enrollment, nor is it a matter of superior quality of service to students. It is likely to be a matter of the comparative efficiency (or inefficiency) involved with the number of physical plants and basic sets of instructional elements required for each separate educational institution supported. But, the efficiency aspects of higher education in Montana are much beyond the scope of this study. Accordingly, we turn to expenditure for elementary, secondary, and other education.

Elementary, Secondary, and Other Education

The Census Bureau classifies elementary and secondary education expenditures by the state as other education expenditures. This Census Bureau category also includes expenditure for vocational rehabilitation, Indian education, manpower training, vocational education, and other programs. Table 4.4 shows the expenditure by the state of Montana on "other education".

Total other education expenditure increased from $10.4 million in 1951 to $45.0 million in 1968, an increase of 3.33 percent, or by 9.0 percent per year. The growth rate from 1961 to 1968 was even higher than from 1951 to 1968--an annual rate of 12.4 percent per year. About 8 percent of the total expenditure in this category was for current administrative operations of the Superintendent of Public Instruction, the Bureau of Vocational Rehabilitation, the School for the Deaf and Blind, and for expenditure on vocational rehabilitation of the blind and blind training.

Capital outlay for this category of expenditure is the combined expenditure for equipment and renovation for the Superintendent of Public Instruction, for vocational rehabilitation, and for the School for the Deaf and Blind.

Intergovernmental expenditure by the state of Montana comprises funds expended by the state, whether they are federal or state in

TABLE 4.4

State of Montana Other Education Expenditure in Detail for Selected Years 1951-68

Fiscal Year Ending	Total Other Education Expenditure	Current Operation	Capital Outlay	Intergovernmental Expenditure	Assistance and Subsidies
		(Millions of Dollars[1])			
1951	10.4	0.7	---	9.7	----
1953	14.7	0.7	---	13.9	----
1955	13.8	0.8	---	12.9	----
1957	13.7	1.0	---	12.6	0.1
1959	16.6	1.2	---	15.1	0.2
1961	19.8	1.3	---	18.1	0.5
1963	22.7	1.4	---	21.0	0.3
1965	29.1	1.7	0.1	26.9	0.4
1967	37.9	2.6	0.2	34.5	0.6
1968	45.0	3.6	0.2	40.1	1.1
		Annual Growth (Percent)			
1951-68	9.0	10.1	---	8.7	----
1961-68	12.4	15.7	---	12.1	11.9
		Shares in Total			
1951	100	7	---	93	----
1961	100	7	---	91	3
1968	100	8	1	89	2

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

origin, for the foundation program, transportation of school children, and the wide variety of federal programs in elementary, secondary, voacational, adult and manpower training administered by the Superintendent of Public Instruction. Intergovernmental expenditure has accounted for close to 90 percent of all expenditures in the category since 1951. Growth in intergovernmental expenditure was 8.7 percent annually from 1951 to 1968, and 12.1 percent annually from 1961 to 1968.

Assistance and subsidies expenditure is primarily direct cash grants by University system units to students for tuition and scholarships. Small cash grants are also made to blind persons who are being trained.

Highway Expenditure

Total state highway expenditure grew by 263 percent from 1951 to 1968 (see Table 4.5). The annual growth over the seventeen-year period was 7.9 percent per year. It should be noted that total highway expenditure was at $81.3 million in 1965, but had fallen to $71.2 million in 1968. This fluctuation arose because of uneven capital outlays on highway construction.

Current operation expenditure on highways consists of expenditure on administration and maintenance by the Highway Department. It is interesting to note that the growth in expenditure on current operations has grown slowly, both absolutely and relative to the total highway expenditure. From 1951 to 1968, current operation expenditure of the Highway Department had grown at only 2.8 percent per year.

Capital outlay expenditure was the largest component of growth in highway expenditures, as one would expect from the interstate program. During the seventeen-year period shown, capital outlay expenditure grew at 9.4 percent per year. This component is not solely construction. Capital outlay expenditure is made up of expenditure for right-of-way acquisition, equipment purchases, contract construction, and expenditure of monies for construction by the Highway Department itself.

Public Welfare Expenditure

Public welfare expenditure by the state grew modestly at 2.5 percent per year during the period from 1951 to 1968. However, from 1953 to 1965 a general downward trend was apparent. This downward trend can be attributed to the fact that agricultural people were brought under the Social Security Act in 1951, and, accordingly, the case load of the Old Age Assistance Program dropped sharply. In 1967, it is seen in Table 4.6 that there us a sharp upward trend in public welfare expenditure. This is attributable primarily to the states Medicaid program.

TABLE 4.5

State of Montana Highway Expenditure in Detail
for Selected Years
1951-68

Fiscal Year Ending	Total Expenditures	Current Operation	Capital Outlay	Other
(Millions of Dollars[1])				
1951	19.6	6.2	13.3	---
1953	22.0	7.1	14.7	0.2
1955	24.3	6.2	18.0	0.1
1957	40.0	7.2	29.8	---
1959	49.1	7.4	41.7	---
1961	49.0	7.6	41.4	---
1963	63.4	7.8	55.5	---
1965	81.3	9.5	71.8	---
1967	77.7	10.3	67.2	0.2
1968	71.2	9.9	61.2	---
Annual Growth (Percent)				
1951-68	7.9	2.8	9.4	---
1961-68	5.5	3.8	5.8	---
Shares in Total				
1951	100	32	68	---
1961	100	16	84	---
1968	100	14	86	---

Source: State Govenment Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding

TABLE 4.6

State of Montana Public Welfare Expenditure in Detail for Selected Years 1951-68

Fiscal Year Ending	Total Expenditure	Categorical Public Assistance	State Welfare Insitutions	Other Public Welfare
		(Millions of Dollars[1])		
1951	13.1	11.4	0.7	1.0
1953	13.6	12.0	0.5	1.1
1955	12.8	11.2	0.4	1.2
1957	12.8	11.0	0.5	1.3
1959	13.1	11.0	0.7	1.4
1961	12.6	10.4	0.7	1.4
1963	12.6	10.2	0.7	1.7
1965	12.2	9.6	0.7	2.0
1967	15.6	8.9	0.9	5.8
1968	20.1	10.2	1.0	8.9
		Annual Growth (Percent)		
1951-68	2.5	----	2.1	13.7
1961-68	6.9	----	5.3	30.0
		Shares in Total		
1951	100	87	5	8
1961	100	83	6	11
1968	100	51	5	44

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

The categorical public assistance of component of public welfare expenditure is comprised of old age assistance, aid to dependent children, aid to the blind, and aid to the disabled. Categorical public assistance expenditure by the state reached a low of $8.9 million in 1967, primarily because of the reduced case load on old age assiatance. However, in recent years, the case load on aid to dependent children has increased rapidly.

State welfare institutions expenditures have been relatively constant during the seventeen-year period between 1951 and 1968. During that period, expenditures by state welfare institutions increased only $300 thousand. In this component of state public welfare expenditures is included expenditures for the orphan's home, the soldier's home, and the home for senile men and women.

Other welfare expenditure consists primarily of expenditure for medical relief of persons receiving old age assistance, aid to dependent children, aid to the blind, and aid to the disabled. The state program providing this medical aid is known as Medicaid. This category also includes state and county welfare administration costs. Other public welfare expenditures have grown most with the beginning of the Medicaid program instituted in 1967. The Medicaid program was effective during the full fiscal year of 1968.

Natural Resources Expenditure

Total state expenditure on natural resources in Montana has grown at a rate of 5.0 percent per year between 1951 and 1968. Historically, about half of the expenditure has been in areas associated with agriculture. Expenditures by the Fish and Game Department have become more important in relation to other components of the natural resources category as has expenditure on forestry and parks. Other natural resources expenditures have lost ground in terms of importance in the natural resources category.

The agriculture component of the natural resources category consists of the expenditures of ten agencies directly associated with agriculture, such as the Agricultural Experiment Station, Extension Service, Montana Department of Agriculture, Milk Control Board, Livestock Commission, State Entymologist, and others. Expenditure for agricultural purposes grew historically from 1951 to 1968 at 4.5 percent annually. The growth from 1961 to 1968 was even slower at 3.8 percent annually.

Expenditures under the fish and game component are comprised soley of the expenditures of the Fish and Game Department. Growth in expenditures on the fish and game function were the fastest growing components of the natural resources category from 1951 to 1968, having a growth rate of 8.3 percent per year. However, less emphasis in a relative sense had been given to the fish and game component between 1961 and 1968 than was given to it during the period prior to 1961 in terms of annual growth in expenditures.

TABLE 4.7

State of Montana Natural Resources Expenditure in Detail for Selected Years 1951-68

Fiscal Year Ending	Total Expenditures	Agriculture	Fish and Game	Forestry and Parks	Other
		(Millions of Dollars[1])			
1951	5.6	2.9	0.9	0.4	1.4
1953	5.4	2.8	1.3	0.4	0.9
1955	6.0	2.8	1.9	0.5	0.8
1957	7.3	4.0	1.9	0.5	0.9
1959	8.2	4.4	2.2	0.6	1.0
1961	8.8	4.7	2.4	0.8	0.8
1963	8.0	4.0	2.5	0.8	0.7
1965	9.2	5.0	2.6	1.0	0.6
1967	11.1	5.6	3.3	1.4	0.8
1968	12.7	6.1	3.5	1.5	1.5
		Annual Growth (Percent)			
1951-68	5.0	4.5	8.3	8.1	0.3
1961-68	5.4	3.8	5.6	9.4	9.4
		Shares in Total			
1951	100	52	16	7	24
1961	100	53	27	9	9
1968	100	48	28	12	12

Source: State Government Finances, 1951-68, (U.S. Dept of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

The forestry and parks category consists of expenditures on state parks and expenditures by the office of the State Forester. Expenditure on this function grew at 8.1 percent annually from 1951 to 1968, and at 9.4 percent annually from 1961 to 1968.

Other natural resources expenditures are comprised of expenditures by the Soil Conservation Commission, Oil Conservation Board, and the Water Resources Board. Growth in this component has been much larger since 1961 than prior to 1961.

Correction and Police Protection Expenditure

Total state expenditure for correction and police protection grew from $1.4 million in 1951 to $5.8 in 1968 (see Table 4.8). The annual growth rate during the seventeen-year period was 8.7 percent per year. The rate of growth in expenditure was 2.4 percentage points smaller from 1961 to 1968 than over the entire period. This indicates that more relative emphasis was given this category of expenditure in the 1950s than in the 1960s. Correction expenditures have grown more rapidly over the seventeen-year period than police protection expenditures. Consequently, the share of correction expenditures in the total has increased during the period.

The correction component is composed of two parts: correction institutions, including the Montana State Prison, Vocational School for Girls, and the Industrial School in Miles City; and other correctional expenditure, which is expenditure made by the Board of Pardons in Deer Lodge.

The police protection component involves the expenditure of the Highway Patrol, requisitions to the State Board of Examiners for prisoners, and transportation of prisoners.

State Health and Hospital Expenditure

Table 4.9 shows that total state expenditure for health and hospitals was $5.7 million in 1951 and $10.5 in 1968. During the seventeen-year period, it grew by $4.8 million at an average annual growth rate of 3.7 percent. From 1961 to 1968 the growth rate increased over what it was in the 1950s to 9.7 percent per year.

The health expenditure component is comprised of State Department of Health Expenditures for administrative operations and equipment. From 1951 to 1968, health expenditures increased $800,000.

The other major component of health and hospital expenditures is state hospital expenditures. This component measures the expenditures of the Montana State Hospital in Twin Bridges, the T. B. Sanitarium in Galen, and the Boulder River School in Boulder. Expenditures on

TABLE 4.8

State of Montana Expenditures on Correction and Police Protection in Detail for Selected Years 1951-69

Fiscal Year Ending	Total Expenditures	Total Correction Expenditures	Correction Current Operation	Institution Capital Outlay	Other Correction Expenditure	Police Protection Expenditure
			(Millions of Dollars[1])			
1951	1.4	0.8	0.6	0.1	---	0.7
1953	1.9	1.2	0.8	0.3	---	0.8
1955	2.3	1.3	1.0	0.3	---	1.0
1957	2.5	1.3	0.9	0.3	0.1	1.2
1959	3.5	1.8	1.4	0.3	0.1	1.7
1961	3.8	2.5	2.0	0.4	0.1	1.3
1963	3.7	2.2	1.8	0.3	0.1	1.6
1965	4.1	2.3	2.1	---	0.1	1.8
1967	5.0	3.0	2.4	0.5	0.1	2.0
1968	5.8	3.6	2.7	0.7	0.2	2.2
			Annual Growth (Percent)			
1951-68	8.7	9.2	---	---	---	7.0
1961-68	6.3	5.4	---	---	---	7.8
			Shares in Total			
1951	100	54	---	---	---	46
1961	100	66	---	---	---	34
1968	100	62	---	---	---	38

Source: State Government Finances, 1951-68 ,(U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

TABLE 4.9

State of Montana Health and Hospital Expenditure in Detail for Selected Years 1951-68

Fiscal Year Ending	Total Health and Hospital Expenditure	Total Health Expenditure	Total State Hospital Expenditure	Current Hospital Operation	Hospital Capital Outlay	Other Hospitals
			(Millions of Dollars[1])			
1951	5.7	0.9	4.8	2.6	2.2	---
1953	4.7	0.9	3.8	3.1	0.7	---
1955	4.8	0.7	4.1	3.4	0.7	---
1957	5.9	0.9	5.0	4.0	1.0	0.1
1959	6.7	0.8	5.5	4.4	1.1	0.4
1961	5.5	---	5.3	4.8	0.4	0.3
1963	5.5	---	5.3	5.1	0.2	0.1
1965	7.2	1.2	5.7	5.6	0.2	0.3
1967	8.7	1.5	7.0	6.7	0.3	0.1
1968	10.5	1.7	8.5	8.0	0.5	0.3
			Annual Growth (Percent)			
1951-68	3.7	---	3.4	---	---	---
1961-68	9.7	---	7.0	---	---	---
			Shares in Total			
1951	100	16	84	---	---	---
1961	100	---	96	---	---	5
1968	100	16	81	---	---	3

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding

state hospitals increase 3.7 million from 1951 to 1968, or by 3.4 percent per year. The growth rate in expenditures on the institutions increased faster in the 1960s than in the 1950s: the growth rate from 1961 to 1968 was 7.0 percent.

State General Control and Financial Administration Expenditure

State expenditure for general control and financial administration grew from $1.8 million in 1951 to $5.7 million in 1968 (see Table 4.10). During the seventeen-year period from 1951 to 1968, the annual growth rate was 7.0 percent per year.

The financial administration component represents expenditure of the State Treasurer, State Auditor, Department of Administration, Budget Director, State Examiner, Commissioner of Lands and Investments, Board of Equalization, Registrar of Motor Vehicles, and the Industrial Accident Board. This component grew at 8.0 percent annually from 1951 to 1968. From 1961 to 1968, the annual rate of growth was 8.6 percent indicating a more rapid growth in this component in the 1960s than during the 1950s.

The general control component of this category of expenditures includes expenditures of the judicial system--the supreme court, district judges, the law library, and county attorneys. This component also includes all legislative expenditures, including biennial session costs and legislative council expenditure, as well as the governor's office and mansion, secretary of state, attorney general, planning and economic development, and the coordinator of Indian affairs. From 1951 to 1968, general control expenditure increased only $900,000 at an annual rate of 5.0 percent. From 1961 to 1968, the growth rate was a modest 1.8 percent per year.

Financial administration has been the largest component of this category of expenditures and is becoming a larger part of the total with passage of time.

Miscellaneous and Employment Security Administration Expenditure

This category of expenditure is a "catch-all" category for various agencies and functions not fitting elsewhere in the Bureau of Census functional classification of government activity.

Employment security administration expenditure is the expenditure for administration of the Unemployment Compensation Commission. The seventeen-year annual growth rate was 6.9 percent per year as is shown in Table 4.11.

Major parts making up miscellaneous general expenditure are: (1) all of the occupational licensing boards; (2) current operation expenditure not classified elsewhere such as the state PBX system,

TABLE 4.10

State of Montana General Control and Financial Administration Expenditure in Detail for Selected Years 1951-68

Fiscal Year Ending	Total Expenditure	Financial Administration Expenditure	General Control Expenditure	General Control in Detail		
				Judicial	Legislative	Other
		(Millions of Dollars[1])				
1951	1.8	1.1	0.7	0.3	0.2	0.2
1953	2.0	1.2	0.8	0.3	0.3	0.2
1955	2.3	1.3	1.0	0.4	0.3	0.3
1957	2.9	1.7	1.2	0.4	0.5	0.3
1959	3.1	1.7	1.4	0.5	0.6	0.4
1961	3.7	2.3	1.4	0.5	0.5	0.4
1963	3.8	2.4	1.4	0.5	0.5	0.4
1965	4.4	2.8	1.6	0.7	0.5	0.5
1967	5.8	3.5	2.3	0.8	0.9	0.6
1968	5.7	4.1	1.6	0.6	0.2	0.8
		Annual Growth (Percent)				
1951-68	7.0	8.0	5.0	---	---	---
1961-68	6.4	8.6	1.8	---	---	---
		Shares in Total				
1951	100	61	39	---	---	---
1961	100	62	38	---	---	---
1968	100	72	28	---	---	---

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

TABLE 4.11

State of Montana Miscellaneous and Employment Security Administration Expenditure for Selected Years 1951-68

Fiscal Year Ending	Total Miscellaneous and E.S.A.[1] Expenditure	E.S.A.[1] Expenditure	Miscellaneous General Expenditure
		(Millions of Dollars[2])	
1951	2.8	0.9	1.9
1953	21.6	1.0	20.6
1955	5.4	1.0	4.4
1957	5.4	1.2	4.2
1959	10.5	1.5	9.0
1961	9.3	1.7	7.6
1963	9.6	2.1	7.5
1965	12.2	2.2	10.0
1967	13.4	2.6	10.8
1968	14.7	2.8	11.9
		Annual Growth (Percent)	
1951-68	10.2	6.9	11.4
1961-68	6.8	7.4	6.7
		Shares in Total	
1951	100	32	68
1961	100	18	82
1968	100	19	81

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. E.S.A. stands for Employment Security Administration.

2. Details may not add to totals due to rounding.

Historical Society, state fire insurance, etc.; (3) intergovernmental expenditure not classified elsewhere including forest reserve apportionments to counties, local fireman's disability fund distribution, disaster aid to cities and counties; and (4) expenditure for interest on general state debt. These four categories make up over three-fourths of the miscellaneous general expenditure component.

State Direct Capital Expenditure

Table 4.12 shows Montana state direct capital expenditures in total and by major functions of government. The major components of capital expenditures are higher education and highways, which made up 94 percent of the total state direct capital expenditures in 1968.

The annual growth in capital outlays in education have grown about twice as fast as the total. From 1951 to 1968, education capital outlay grew at an annual rate of 16.8 percent. However, the growth rate during the 1960s was much slower than during the 1950s for this component.

Capital outlays for highways dominate state capital outlays. During the 1960s, highway capital outlays have remained at a level nearly five times the level of capital outlay for education.

State of Montana Intergovernmental Expenditure

State-local fiscal relations are the most complex and probably the most important aspect of state finance in Montana. The major issue here is state-to-local payments.

During the past two decades, the most difficult fiscal problem to emerge in the American fiscal system has been the fiscal imbalance between rapidly rising local revenue requirements and the limited taxing capacity of local governments. During this period, when the problem has come so sharply to our attention--especially in the heavily populated states--the usual response has been that of placing ever increasing pressure on the local property tax. "When viewed in sales tax terms, residential property taxes represent the equivalent of a 25 percent levy on housing expenditure on a nationwide basis..."[1] With these high property tax loads, the defects of the property tax, such as unequal assessments, its

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1. Advisory Commission on Intergovernmental Relations, State Aid to Local Government (Washington, D.C.: Government Printing Office, April 1969), p. 1.

TABLE 4.12

State of Montana Direct Capital Expenditure by Function for Selected Years 1951-68

Fiscal Year Ending	Total Capital Expenditures	Education	Highways	Public Welfare	Health and Hospitals	Natural Resources	Correction	General Public Buildings	Other
				(Millions of Dollars^1)					
1951	19.0	0.9	13.3	---	2.2	1.4	0.1	---	1.0
1953	21.4	4.4	14.7	0.2	0.7	0.8	0.4	---	0.2
1955	22.7	1.6	18.0	---	0.7	1.1	0.4	---	1.0
1957	37.7	4.8	29.8	0.1	1.2	1.0	0.5	0.1	0.3
1959	49.3	4.2	41.7	0.2	1.2	1.1	0.6	0.1	0.3
1961	51.4	7.1	41.4	0.1	0.4	1.1	0.4	---	0.9
1963	60.0	2.4	55.5	---	0.2	0.5	0.3	0.1	1.0
1965	80.6	5.9	71.8	---	0.2	0.6	0.1	0.5	1.5
1967	81.9	10.6	67.2	0.2	0.3	0.5	2.0	0.7	0.4
1968	78.3	12.6	61.2	0.1	0.5	0.7	1.5	0.2	1.4
				Annual Growth (Percent)					
1951-68	8.7	16.8	9.4	---	---	---	---	---	---
1961-68	6.2	8.5	5.8	---	---	---	---	---	---
				Shares in Total					
1951	100	5	70	---	12	7	1	---	5
1961	100	14	81	---	1	2	1	---	2
1968	100	16	78	---	1	1	2	---	2

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

regressive impact, and land use distortions, have been magnified and have seriously undermined the property tax as the prime fiscal underwriter of education and general local government revenue needs.

In one sense, Montana is fortunate that the fiscal crisis has not reached the degree of severity that is apparent elsewhere in the United States. But, the fiscal crisis is developing in Montana, and it cannot be ignored. Because of the emerging problems associated with state-local fiscal relations in Montana, there is a need for an appraisal of the state aid system in Montana.

The Bureau of the Census defines intergovernmental aid as including grants-in-aid, shared taxes, and payments for services rendered on a reimbursement or cost-sharing basis by the recipient government. Such aid is measured both as intergovernmental expenditure by the payer and as intergovernmental revenue to the payee, but differences in timing prevent the two from being exactly equal in a given year. A grant made toward the end of a fiscal year may not be recorded by the recipient government until the next year.

Table 4.13 shows state of Montana intergovernmental expenditure by function of government and by type of receiving unit for selected years from 1951 to 1968. Total state intergovernmental expenditure was $11.0 million in 1951. By 1961, it had nearly doubled at $21.2 million. From 1961 to 1968, total state intergovernmental expenditure doubled again when it reached $44.1 million. In 1968, 91 percent of total state intergovernmental expenditure went to school districts for education purposes. Total intergovernmental expenditure grew more rapidly during the 1960s than during the 1950s.

State Payments to School Districts

The only major state aid program as defined by the Bureau of the Census in Montana is the Public School Foundation Program as instituted in 1949. This is the basic reason for the dominance of the education function within intergovernmental expenditure made by the state government.

State payments to local school districts grew from $9.7 million in 1951 to $40.1 million in 1968, a total growth of 313 percent over the seventeen-year period (see Table 4.13). The average annual growth rate from 1951 to 1968 was 8.7 percent per year, but from 1961 to 1968, the annual growth rate was 12.1 percent per year. Obviously, the growth experienced during the 1960s has been greater than during the 1950s.

A closer examination of this component of intergovernmental expenditure is necessary to understand the full implications of the structure and trends in state aid to school districts and to in turn relate these implications to other matters of local finances.

TABLE 4.13

State of Montana Intergovernmental Expenditure
by Function and by Receiving Unit
for Selected Years
1951-68

Fiscal Year Ending	Total Intergovernmental Expenditure	Education	Public Welfare	Hospitals	All Other	Counties	Cities	Schools Districts	Other
				(Millions of Dollars[1])					
1951	11.0	9.7	0.5	0.3	0.4	1.2	0.1	9.7	---
1953	15.5	13.9	0.3	---	1.1	1.2	0.2	13.9	---
1955	14.3	12.9	0.4	---	1.0	1.1	0.3	12.9	---
1957	14.2	12.6	0.2	---	1.4	1.5	0.2	12.6	---
1959	17.9	15.1	0.7	0.3	1.8	2.1	0.7	15.1	---
1961	21.2	18.1	0.7	0.2	2.3	2.4	0.7	18.1	---
1963	23.5	21.0	0.6	---	1.9	1.8	0.7	21.0	---
1965	30.0	26.9	0.2	---	2.9	2.2	0.8	26.9	---
1967	37.7	34.5	0.2	---	3.0	1.7	1.0	34.5	0.5
1968	44.1	40.1	0.7	0.2	3.0	2.8	0.6	40.1	0.5
				Annual Growth (Percent)					
1951-68	8.5	8.7	2.0	---	---	5.1	11.1	8.7	---
1961-68	11.0	12.1	---	---	---	2.3	---	12.1	---
				Shares in Total					
1951	100	88	5	3	4	11	1	88	---
1961	100	85	3	1	11	11	3	85	---
1968	100	91	2	1	7	6	1	91	1

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding.

Table 4.14 was prepared to show the structure of state aid to school districts in terms of program type and fund sources for 1957, 1962, and 1967. Federal and state funds are explicitly identified in each of the years.

State equalization aid is the amount distributed to school districts from one-fourth the proceeds of the individual and corporate income taxes, general fund appropriations, and one-half the state's share of federal oil and gas royalties. In 1957, state equalization aid amounted to $7.6 million; this made up 64 percent of total state aid to school districts and 60 percent of total state aid plus federal funds distributed to school districts by the state. In 1962, state equalization aid was $15.2 million, 100 percent larger than in 1957. State equalization aid in 1962 accounted for 78 percent of the state funds distributed to school districts and 74 percent of state and federal funds combined distributed to school districts by the state. By 1967 state equalization aid had reached $20.9 million, about 37 percent larger than it was in 1962, and 176 percent larger than it was in 1957. In 1967, state equalization aid made up 72 percent of the state funds distributed to school districts, and only 61 percent of total state and federal funds distributed to school districts by the state.

Transportation aid to school districts had commenced by 1967, and amounted to $1.2 million in that year. Transportation aid funds are appropriated out of the general fund.

Permanent school fund income is income derived from grazing and agriculture rentals, grazing fees on state forests, interest on land sales contracts, bonds and certificates, the Montana Trust and Legacy Fund, as well as income from rentals and penalties on oil and gas leases. Of this income, 95 percent is distributed to school districts for elementary schools and 5 percent is held in trust. Permanent school fund income is the other major component of state fund aid to school districts. In 1957, this component amounted to $4.1 million, and accounted for 35 percent of the state funds distributed to school districts. During the five-year period from 1957 to 1962, permanent school fund income had grown only $111,000, or by about 3 percent. In 1962, permanent school fund income made up only 22 percent of the state funds distributed to school districts. In the five years from 1962 to 1967, permanent school fund income grew to $5.9 million, a total of $1.7 million. Permanent school fund income in 1967 for 20 percent of the state funds distributed to school districts.

The remaining components of state to local payments are reasonably self-explanatory. In 1967, the federal government provided $4.0 million of funds to be distributed to school districts by the state for aid to low-income areas and to school libraries. These funds increased the role of federal funds greatly both in absolute and relative terms from 1962 to 1967.

TABLE 4.14

State Aid to School Districts in Detail for Selected Years 1957-67 by Source of Funds

	1957		1962		1967	
	State	Federal	State	Federal	State	Federal
State Equalization Aid	7,561	------	15,172	------	20,860	------
Transportation	------	------	------	------	1,174	------
Permanent School Fund Income	4,133	------	4,244	------	5,901	------
Driver Education	------	------	------	------	194	------
Vocational Education	35	168	23	255	45	916
Manpower Development and Training	------	------	------	------	------	284
Special Education	------	------	------	261	------	273
Aid for Low-Income Areas and Libraries	------	------	------	------	------	4,035
School Lunch and Milk Programs	------	360	------	514	------	659
Indian Education	------	306	------	67	------	100
Totals	11,729	834	19,439	1,097	28,174	6,267
State and Federal Funds as Percent of Total	93	7	95	5	82	18
Combined State and Federal Totals	------	12,563	------	20,536	------	34,441

Source: *Census of Governments, State Payments to Local Governments; Topical Studies*, 1957, 1962, 1967, (U.S. Dept. of Commerce, Bureau of the Census).

Taking all state funds aid to school districts in 1957, 1962, and 1967 shown in Table 4.14 and computing annual growth rates, it can be seen that the fastest growth occurred between 1957 and 1962. State funds aid to school districts grew at an annual rate of 10.7 percent from 1957 to 1962. From 1962 to 1967, the annual rate of growth in state funds aid had fallen to 7.2 percent per year, 3.5 percentage points below the growth rate of five years earlier.

Relating of State Aid to School Districts to the Property Tax. A factor which complicates the state aid system for school districts is the intricate connection between property tax levies and the state level funding of the foundation program. The legislature establishes permissive budgets for schools based on cost schedules per student and the number of children attending the school. Then the legislature establishes the foundation program budget currently 80 percent of the permissive budget. The next step in the process involves allocating earmarked funds, such as one-fourth of individual and corporate income taxes, one-half of United States oil and gas royalties, and permanent school fund income. At this point there are basically two additional sources of revenue with which the foundation program can be funded. One source of money is the general fund and the other is the property tax. Historically, the property tax has been used in two ways. Foundation program levies are established to insure the participation of all property in the county in support of elementary and high schools. Currently the basic county levy for elementary schools is 25 mills. The basic county foundation levy for high schools is 15 mills. In essence, a total of 40 mills are levied on all property in the state for support of elementary and high schools. The amount of state aid to each school district depends upon the adequacy or inadequacy of the basic county foundation levies. The other way in which the property tax has been used to support local schools is through deficiency levies. These levies are a direct result of failure of the state to fund its obligation to support the foundation program. The level of deficiency levies is determined by the degree to which the state falls short of funding its obligation.

The foundation program funding system allows considerable latitude to the state in the sense that the legislature can substitute local property tax levies for state general fund revenue or general fund money for other state programs. Thus, the foundation program funding system forces regular attention by the legislature to choices between priorities for local schools and state expenditure programs with no systematic or regular direct attention to other local government functions. In this way the intricate relations existing between state finance and local finance in Montana are established.

The broad implications of the system of state aid to local schools are that public education is preempting the property tax at the expense of other local functions. With each passing year, public education stakes out a larger claim on the local property tax. Continuosly increasing ecucation costs in local public school and relatively moderate increases in state aid force more and more reliance on the property tax for the support of public education.

Table 4.15 was prepared to illustrate the share of cities and counties and the share of local schools in property tax revenue from 1947 to 1967. In 1947, local schools claimed 51 percent of the property taxes levied. Ten years later, in 1957, the share of local schools in the property tax had grown 53 percent. By 1962, local public schools claimed 56 percent of property taxes levied for general purposes; in 1967, the local school share was 60 percent. The rate at which local schools have increased their claim on the property tax has been more rapid during the 1960s than during the period from 1947 to 1962.

On the other hand, the share of the cities and counties in the property tax had fallen from 49 percent in 1947 to 40 percent in 1967. The significance of all this is that property taxes, which are now high but in the future, it seems, will need to be higher, are meeting growing resistance by the taxpayers; hence, the prospects for expanded use of the property tax to underwrite the increasing fiscal needs of all local governments are not bright.

This conclusion raises some important questions regarding increased state participation in the funding of local public services as well as tax reform. Several alternative approaches exist. These approaches fall into the following categories: (1) state grants-in-aid to local governments, (2) tax sharing, and (3) new local taxes. However, this chapter is not the appropriate place to investigate these approaches. A much more detailed understanding of the local finance system is necessary. Accordingly, we shall treat the whole question of state aid and alternative approaches more fully in a subsequent chapter.

State Aid for Public Welfare

Currently the state authorizes counties to levy 17 mills to finance county obligations for public welfare programs. If the 17 mills fails to provide the revenue necessary to meet these local welfare obligations, the state has obligated itself to pay county welfare costs in excess of the amount raised by the 17 mills. From 1951 to 1967, these state payments to counties for welfare purposes has ranged from $700,000 down to $200,000. The funds for this purpose come from the state's general fund.

Hospital aid from the state is derived from federal Hill-Burton funds, and they flow through the state treasury.

All Other State Aid

The all other state aid category consists of state funds distributed to counties and cities for transportation of prisoners, and state taxes

TABLE 4.15

Property Taxes Levied for General Local Purposes, for School Purposes, and for City and County Governments, for Selected Years 1947-67

	All General Local Property Taxes[1]	All School Property Taxes[2]	City and County Property Taxes[3]	County Mills	School Mills
	(000)	(000)	(000)		
1947	32,693	16,798	15,895	28.09	42.49
Percent 1947	100	51	49	-----	-----
1957	71,503	37,874	33,629	33.08	49.58
Percent 1957	100	53	47	-----	-----
1962	90,797	50,655	40,142	36.44	56.85
Percent 1962	100	56	44	-----	-----
1967	129,061	77,916	51,145	37.19	74.22
Percent 1967	100	60	40	-----	-----
Annual Growth					
1947-67	7.1	8.0	6.0	-----	-----
1947-57	8.2	8.5	7.8	-----	-----
1947-62	7.1	8.1	6.4	-----	-----
1957-67	6.1	7.5	4.3	-----	-----
1962-67	8.0	9.0	4.9	-----	-----

Source: Montana State Board of Equalization, Biennial Reports, 13th, 18th, and 23rd Editions.

[1] All property taxes levied for all purposes minus state property taxes levied minus miscellaneous property taxes levied.

[2] All school district and county-wide property tax levies for local school purposes.

[3] Includes all county property tax levies and both general and special improvement district levies of cities and towns.

shared with cities and counties--fire insurance, premium tax, motor vehicle insurance premium tax, and county liquor license tax. Federal funds distributed by the state include funds for airport construction, flood control, federal grazing revenue, and forest reserve revenue.

Total State General Revenue in Montana

Total general revenue of state government is defined by the Bureau of the Census to exclude revenue of the state liquor monopoly and revenue of insurance trust systems. Total general revenue includes all state tax revenue, revenue from the federal government, revenue from local governments, revenue from charges for services by the state, and revenue from miscellaneous sources.

Table 4.16 shows total general revenue of the state from 1951 to 1968 in broad categories. General fund revenue is also shown with own general revenue of the state. Own general revenue is total general revenue minus intergovernmental revenue.

Total state general revenue was $65.3 million in 1951; by 1968 it had grown to $228.7 million. During the seventeen-year period, total general revenue had grown by 250 percent. The annual growth rate during that period was 7.6 percent per year. In recent years, from 1961 to 1968, total general revenue grew more rapidly at 8.1 percent per year than it grew from 1951 to 1961. Tax revenue, the slowest growing component of total general revenue, grew from $34.8 million in 1951 to $105.0 million in 1968. During the seventeen years, tax revenue increased 201 percent at a rate of 6.7 percent per year. State tax revenue grew more rapidly during the decade from 1951 to 1961 than it has during the 1960s. In 1951, tax revenue made up 53 percent of total state general revenue. Tax revenue held a reasonably constant position in the general revenue system until 1961, when it was still 52 percent of total general revenue. However, tax revenue made up only 46 percent of total general revenue in 1968, seven percentage points less than seventeen years earlier in 1951.

Intergovernmental revenue, which is comprised of total federal to state aid and local payments to the state, grew from $21.6 million in 1951 to $86.4 million in 1968, a growth of 300 percent. During the seventeen years, intergovernmental revenue grew at an an annual rate of 8.5 percent per year and it grew more rapidly during the period from 1961 to 1968 than during the 1950s. The share of intergovernmental revenue in the general revenue system of state government increased five percentage points during the seventeen-year period.

Charges and miscellaneous general revenue was the fastest growing component of the total general revenue system during the period from 1951 to 1968. The annual growth of 11.9 percent from 1961 to 1968 indicates a much more rapid growth during the 1960s than during the

TABLE 4.16

State of Montana General Revenue
by Source for Selected Years
1951-68

Fiscal Year Ending	Total General Revenue	Tax Revenue	Intergovernmental Revenue	Charges and Miscellaneous Revenue	Own General Revenue	General Fund Revenue	General Fund Revenue as Percent of Own General Revenue (Percent)
			(Millions of Dollars[1])				
1951	65.3	34.8	21.6	8.9	43.7	17.4	39.8
1953	71.7	37.4	22.5	11.8	49.2	18.5	37.6
1955	76.3	41.6	23.3	11.4	53.0	19.8	37.4
1957	100.8	52.6	34.2	14.0	66.6	25.2	37.8
1959	125.3	60.4	49.4	15.5	75.9	31.4	41.4
1961	132.4	68.7	46.7	17.0	85.7	38.1	44.5
1963	156.2	73.9	60.2	22.1	96.0	42.1	43.9
1965	187.4	79.6	82.4	25.4	105.0	45.5	43.3
1967	210.9	92.8	87.0	31.1	123.9	51.5	41.6
1968	228.7	105.0	86.4	37.3	142.3	57.8	40.6
			Annual Growth (Percent)				
1951-68	7.6	6.7	8.5	8.8	7.2	7.3	----
1961-68	8.1	6.3	9.2	11.9	7.5	6.2	----
			Shares in Total				
1951	100	53	33	14	67	27	----
1961	100	52	35	13	65	29	----
1968	100	46	38	16	62	25	----

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding.

1950s. The share of charges and miscellaneous revenue in the general revenue system increased two percentage points during the seventeen-year period. The rapid growth in this component can be accounted for largely by the rapid increase in state oil land leases and oil and gas royalties derived from the Bell Creek oil field.

An exhibit was prepared in Table 4.16 showing the relationship between revenue of the state from its own sources, i.e., excluding intergovernmental revenue and general fund revenue. This relationship sheds considerable light on the structure of Montana's revenue system. The difference between general fund revenue and own general revenue of the state is attributable to earmarking of funds for specific purposes. General fund revenue can be considered revenue for which regular explicit legislative decisions must be made regarding its expenditure. Table 4.16 shows that general fund revenue has been from 37.4 percent to 44.5 percent of own general revenue during the seventeen-year period, and in 1968 it stood at 40.6 percent. The fact that the general fund comprises only about two-fifths of own general revenue of the state indicates that the latitude of the legislature in fiscal matters of the state is severely limited.

It is interesting to note that from 1961 to 1968, own general revenue grew more rapidly than did general fund revenue. From 1961 to 1968, general fund revenue grew at 6.2 percent per year and own general revenue grew at 7.5 percent per year. Furthermore, general fund revenue made up only one-fourth of total general revenue of the state in 1968.

With this broad perspective of the revenue system of the state, we now consider more detailed elements of the system.

State of Montana Tax Revenue

The Bureau of the Census classifies seven major categories of state tax revenue. These sources of tax revenue and the amounts of revenue are shown in Table 4.17. Considerably more detail is provided for selective sales and gross receipts taxes and license taxes by the Bureau of the Census. Accordingly, we investigate those two tax sources in detail.

Before analyzing the remaining tax sources in Table 4.17, we should point out that the role of selective sales and gross receipts taxes were nine percentage points less important in Montana's state tax system in 1968 than they were in 1951. License taxes were three percentage points less important in 1968 than they were in 1951.

It is obvious from Table 4.17 that the individual income tax has been the major fiscal underwriter of Montana's state tax system since 1951. Revenue from the individual income tax has been growing

TABLE 4.17

State of Montana Tax Revenue in Detail for Selected Years 1951-68

Fiscal Year Ending	Total Tax Revenue	Selective Sales and Gross Receipts	License Taxes	Individual Income Taxes	Corporate Income Taxes	State Property Taxes	Death and Gift Taxes	Severance Taxes
				(Millions of Dollars[1])				
1951	34.8	16.7	5.5	4.4	2.6	3.7	0.7	1.1
1953	37.4	18.9	5.6	4.9	1.6	4.3	0.8	1.3
1955	41.6	21.1	6.3	5.3	1.6	4.3	1.4	1.6
1957	52.6	25.3	7.7	7.6	2.4	5.0	1.3	3.5
1959	60.4	28.3	8.0	9.4	2.9	6.8	2.0	2.9
1961	68.7	30.8	8.8	13.6	4.7	5.8	1.9	3.0
1963	73.9	34.0	9.7	13.9	4.7	6.2	2.1	3.2
1965	79.6	35.6	10.7	16.7	5.9	5.4	2.5	2.9
1967	92.8	37.7	11.8	24.2	7.6	5.1	2.8	3.5
1968	105.0	40.6	13.9	29.6	7.3	7.6	2.9	3.1
				Annual Growth (Percent)				
1951-68	6.7	5.4	5.6	11.9	6.3	4.3	8.7	6.3
1961-68	6.3	4.1	6.8	11.8	6.5	3.9	6.3	0.4
				Shares in Total				
1951	100	48	16	13	7	11	2	3
1961	100	45	13	20	7	8	3	4
1968	100	39	13	28	7	7	3	3

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding.

at an annual rate of nearly 12 percent per year since 1951. If it had not been for the rapid growth in individual income tax revenue during the period, total tax revenue would have been much less than it is. For example, if the income tax had grown at 5.5 percent per year, as did the rest of the taxes combined, the total tax revenue would have been about $18.0 million less than it was in 1968. During the period from 1951 to 1968, the role of the individual income tax increased from 13 percent to 28 percent. In other words, during the seventeen-year period, the role of the individual income tax in Montana's state tax system doubled. The 1969 Legislative Assembly further magnified the role of the income tax by the rate increase enacted during that session.

The corporation license tax has played a rather steady role in Montana's tax system during the last seventeen years, making up 7 percent of total tax revenue in 1951, 1961, and 1968. The rate of growth in the corporation license tax during the period has been very close to the rate of growth of all taxes combined, including the individual income tax.

State property taxes were the slowest growing component of Montana's tax system during the seventeen-year period. State-wide property taxes include the university system levy (maximum of 6 mills), certain bond obligations, and state-wide livestock levies. The state can also levy 2 mills state-wide for general fund purposes. It should be noted that with relatively fixed rates, the state property tax is declining in its role in Montana's tax system.

Death taxes grew faster than all taxes combined during the seventeen-year period. However, from 1961 to 1968 the growth rate in death taxes was equal to that of all taxes combined. Death taxes play a relatively minor role in Montana's tax system, making up only 3 percent of tax revenue in 1968.

Severance taxes also play a rather minor role in Montana's tax system. The taxes making up this category are: (1) coal production license tax, (2) metal mines license tax, (3) oil production license tax, (4) vermiculate license tax, and (5) oil and gas conservation tax. It should be noted that there are fluctuations from year to year in the revenue from severance taxes. This fluctuation is largely the result of instability in revenues from the metal mines license tax. Growth rates have relatively little meaning within the framework of such fluctuations.

Selective sales and gross receipts taxes and license taxes will now be considered in greater detail.

Montana Selective Sales and Gross Receipts Taxes. Motor fuel taxes are the major component of selective sales and gross receipts taxes. In 1968, motor fuel taxes made up 61 percent of the total, however, this was three percentage points below its role in 1951 (see Table 4.18). Motor fuel taxes are levied on gasoline, diesel fuel, and other special fuels such as liquefied petroleum gas. In addition, the state levies a tax on aircraft fuel. During the seventeen-year period, motor fuel taxes grew at an annual rate of 5.1 percent per year.

In 1968, alcoholic beverage taxes made up 12 percent of all selective sales and gross receipts taxes. Alcoholic beverage taxes consist of the liquor and beer excise tax. The state receives 4 percent of the county liquor license tax. Growth in alcoholic beverage taxes was 6.2 percent per year over the seventeen-year period, but from 1961 to 1968, the annual rate of growth fell sharply to 1.7 percent per year.

Tobacco taxes (cigarette) made up 15 percent of total selective sales and gross receipts in 1968. The growth in tobacco taxes behaved much like growth in alcoholic beverage taxes from 1951 to 1968 and from 1961 to 1968. A sharp reduction in growth rates from 1951 to 1968 is apparent. As a matter of fact, this reduction in growth rates was experienced in all categories except motor fuel taxes. However, the reduction in growth rates is most noticeable with alcoholic beverages and cigarette tax revenue. Since consumption of these items is closely related to population, the estimated decline in population from the mid-nineteen sixties by the Bureau of the Census may serve as the explanation for this reduction in growth rates.

Insurance premium taxes made up 7 percent of selective sales and gross receipts taxes in 1968. From 1951 to 1968, the annual growth in insurance tax revenue was 7.3 percent per year. However, during the 1960s, the rate of growth was 4.5 percent per year.

Public utility taxes include motor carrier gross recepits taxes, electrical energy taxes, telephone and telegraph gross receipts taxes, natural gas taxes, and other minor levies. Revenue from these sources made up 5 percent of total selective sales and gross receipts taxes. From 1951 to 1968, the annual growth rate in public utility taxes was 7.0 percent per year. There was only a slight difference between the growth during the 1950s and the 1960s in public utility taxes.

State of Montana License Taxes. License taxes make up 13 percent of total tax revenue; motor vehicle, operator, and hunting and fishing licenses make up about three-fourth of total license tax revenue. Hunting and fishing licenses are the fastest growing components of license tax revenue. Growth in hunting and fishing license tax revenue increased in the 1960s slightly over the growth during the 1950s (see Table 4.19).

Motor vehicle licenses grew at 6.7 percent annually from 1951 to 1961, and the rate of growth from 1961 to 1968 was 7.5 percent per year.

TABLE 4.18

State of Montana Selective Sales and Gross Receipts Taxes in Detail for Selected Years 1951-68

Fiscal Year Ending	Total Selective Sales and Gross Receipts Taxes	Motor Fuel Taxes	Alcoholic Beverages Taxes	Tobacco Taxes	Insurance Premium Taxes	Public Utility Taxes	Other Taxes
			(Millions of Dollars[1])				
1951	16.7	10.7	1.7	2.0	0.9	0.6	0.8
1953	18.9	12.3	1.8	2.9	1.1	0.7	---
1955	21.1	14.4	1.8	2.8	1.4	0.8	---
1957	25.3	17.7	2.0	3.1	1.5	0.9	---
1959	28.3	16.4	3.1	5.7	2.1	1.1	---
1961	30.8	17.4	3.9	6.1	2.2	1.2	---
1963	34.0	19.7	4.1	6.4	2.5	1.3	---
1965	35.6	20.6	4.1	6.3	2.8	1.8	---
1967	37.7	21.8	4.5	6.3	3.2	1.9	---
1968	40.6	24.8	4.7	6.2	3.0	1.9	---
			Annual Growth (Percent)				
1951-68	5.4	5.1	6.2	6.9	7.3	7.0	---
1961-68	4.1	5.3	1.7	0.4	4.5	6.8	---
			Shares in Total				
1951	100	64	10	12	5	4	5
1961	100	56	13	20	7	4	---
1968	100	61	12	15	7	5	---

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

TABLE 4.19

State of Montana License Tax Revenue in Detail
for Selected Years
1951-68

Fiscal Year Ending	Total License Tax Revenue	Motor Vehicle Licenses	Motor Vehicle Operator License	Corporation in General	Alcoholic Beverages Licenses	Occupation and Business N.E.C.[1]	Hunting and Fishing
				(Millions of Dollars[2])			
1951	5.5	2.1	0.4	0.1	1.1	0.9	0.9
1953	5.6	2.2	0.3	0.1	1.0	0.9	1.1
1955	6.3	2.5	0.6	0.1	1.0	1.0	1.2
1957	7.7	3.2	0.6	0.1	1.0	1.1	1.7
1959	8.0	3.5	0.5	0.1	1.0	1.2	1.7
1961	8.8	3.8	0.6	0.2	1.0	1.5	1.8
1963	9.7	4.2	0.6	0.1	1.0	1.6	2.1
1965	10.7	4.4	0.8	0.1	1.2	1.7	2.4
1967	11.8	5.1	0.8	0.1	1.2	2.1	2.4
1968	13.9	6.3	0.8	0.2	1.3	2.3	3.0
				Annual Growth (Percent)			
1951-68	5.6	6.7	4.2	4.2	0.9	5.7	7.3
1961-68	6.8	7.5	4.2	---	3.8	6.3	7.6
				Shares in Total			
1951	100	38	7	2	20	16	16
1961	100	43	7	2	11	17	20
1968	100	45	6	1	9	17	22

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. N.E.C. stands for not elsewhere classified.

2. Details may not add to totals due to rounding

TABLE 4.20

State of Montana Revenue from Federal and Local Governments in Detail, for Selected Years 1951-68

Fiscal Year Ending	Total State Intergovernmental Revenue	Federal State Revenue	Education	Highways	Public Welfare	Health and Hospitals	Natural Resources	E.S.A.[2]	Other	Local to State Revenue	Public Welfare	Other
(Millions of Dollars[1])												
1951	21.6	20.0	3.0	7.7	6.2	1.1	0.8	1.0	0.3	1.6	1.5	---
1953	22.5	20.8	1.9	7.7	6.6	0.9	0.8	1.0	1.9	1.6	1.6	---
1955	23.3	21.6	1.9	9.7	6.2	0.3	1.1	0.8	1.6	1.7	1.6	0.1
1957	34.2	31.8	1.5	18.5	5.9	0.6	1.4	1.5	2.3	2.4	1.7	0.7
1959	49.4	46.8	2.3	30.7	7.1	0.9	1.5	1.6	2.6	2.6	1.6	1.0
1961	46.7	44.7	2.5	28.1	6.2	1.0	1.7	2.0	3.2	2.0	1.5	0.5
1963	60.2	58.2	4.5	39.7	7.2	0.9	1.6	2.2	2.1	2.0	1.4	0.6
1965	82.4	80.5	5.4	58.0	6.9	1.3	2.2	2.3	4.3	1.9	1.5	0.4
1967	87.0	84.9	13.2	50.9	9.1	1.6	2.5	3.2	4.3	2.1	1.9	0.1
1968	86.4	83.7	16.4	44.0	11.3	2.0	3.2	3.4	3.5	2.6	2.4	0.2
Annual Growth (Percent)												
1951-68	8.5	8.8	10.5	10.8	3.6	3.6	8.5	7.5	0.6	2.9	2.8	---
1961-68	9.2	9.4	30.8	6.7	8.9	10.4	9.5	7.9	7.2	3.8	4.8	---
Shares in Total												
1951	---	100	15	39	31	6	4	5	2	100	100	---
1961	---	100	6	63	14	2	4	4	7	100	75	25
1968	---	100	20	53	14	2	4	4	4	100	92	8

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

2. Employment Security Administration.

Revenue from motor vehicle operator licenses has grown at 4.2 percent per year since 1951.

State of Montana Intergovernmental Revenue

Revenue from the federal government currently plays a dominant role in state finance in Montana. Moreover, the role of federal aid is rapidly increasing through time. Over one-third of total state general revenue comes from the federal government. Over one-half of federal aid is spent on highways in Montana. Education is next largest in its share of federal revenue. Public welfare is third in its share of federal aid to the state. Highways, education, and public welfare comprise nearly 90 percent of federal aid spending by the state of Montana. The striking feature about federal aid to the state is that from 1951 to 1968 it has increased by more than 1 percent a year faster than own state general revenue. Growth in federal aid in education has been rapid from 1961 to 1968. During this period it grew 30.8 percent per year.

Federal to state aid grew from $20.0 million in 1951 to $83.7 million in 1968, a growth of 319 percent and an average annual rate of 8.8 percent per year. The rate of growth from 1961 to 1968 was even larger than from 1951 to 1968. This more rapid growth during the 1960s is evident for every function shown in Table 4.20 except highways.

Federal to state aid is one of the most unpredictable elements in Montana's revenue system. With the recent change in administration it is not known whether trends will continue or if they will be reversed. Even if the amounts do not change, it is likely that emphasis and the nature of federal programs will change. Consequently, the state is left with a large revenue component with a wide range of possible values. Such a situation is clearly wasteful and detrimental to sound fiscal planning.

Local to state payments are reimbursements from counties to the state welfare department for 50 percent of the cost of personnel and administration of welfare programs at the local level. The state pays these costs and the state is reimbursed for one-half the costs.

State Miscellaneous General Revenue

Miscellaneous general revenue consists of these six components: (1) revenue from sale of state property, (2) revenue from interest earned on monies invested by the state, (3) revenue from fines and forfeits, (4) revenue from rental of state land and oil and gas royalties from state land, and (5) donations to state universities and colleges from private sources (see Table 4.21).

TABLE 4.21

State of Montana Miscellaneous Revenue
in Detail for Selected Years
1951-68

Fiscal Year Ending	Total Miscellaneous Revenue	Sale of Property	Interest Earnings	Fines and Forfeits	Rents and Royalties	Donations	Other
(Millions of Dollars[1])							
1951	4.7	0.4	1.2	0.2	2.9	----	---
1953	7.6	0.6	1.6	0.3	5.0	----	0.1
1955	7.1	0.5	2.0	0.4	3.9	0.2	0.1
1957	7.4	0.6	1.5	0.6	4.1	0.3	0.3
1959	7.7	0.6	1.7	0.5	4.2	0.5	0.2
1961	7.7	0.6	2.3	0.5	3.7	0.5	0.1
1963	9.2	0.6	2.5	0.5	4.3	1.0	0.3
1965	9.8	0.5	3.1	0.5	4.3	0.9	0.5
1967	11.7	0.6	3.7	0.6	5.2	1.0	0.6
1968	16.3	0.5	4.2	0.5	9.5	1.0	0.6
Annual Growth (Percent)							
1951-68	7.6	1.0	7.7	5.6	7.3	---	---
1961-68	11.4	---	9.0	---	14.4	10.4	29.2
Shares in Total							
1951	100	9	26	4	62	---	---
1961	100	8	30	6	48	6	1
1968	100	3	26	3	58	6	4

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

The most significant component of miscellaneous general revenue is revenue from rents and royalties. Discovery and development of the Bell Creek oil field has, during the past several years, augmented state revenue from this source in both absolute and relative terms. The annual rate of growth from 1961 to 1968 was 14.4 percent per year. This component made up 58 percent of miscellaneous revenue.

State Current Charges

Total state current charges in 1951 were $4.0 million; by 1968 they had grown to $20.9 million, a growth of 423 percent. During the seventeen-year period, they grew at an annual rate of 10.2 percent per year (see Table 4.22).

Education current charges made up 79 percent of total current charges in 1968. From 1951 to 1968, education current charges grew a total of 535 percent at an annual rate of 11.5 percent per year. Education current charges grew even faster during the 1960s than during the 1950s. State education current charges are composed of charges to students in the university system for tuition, fees, food service, shelter, and athletic fees. The expansion is due mainly to the growth in the number of students and increased costs of providing services.

Other current charges are for a variety of purposes. Among them are: (1) charges in state hospitals, (2) paybacks and use fees for state water projects, and (3) charges for hail insurance.

Summary of State Finance in Montana

Tables 4.23 and 4.24 were prepared to provide an easy reference to the structure of expenditure and revenue of the state and to provide a reference to trends and changes in the revenue and expenditure system.

On the expenditure side, education is by far the fastest growing function of state government. Higher education grew somewhat faster than other education over the seventeen years, but other education showed the largest rate of growth during the 1960s. The expenditure on education comprises 40 percent of total general expenditure of state government in Montana.

Over the longer period, highway expenditure grew at 7.9 percent per year, but during the 1960s it fell back to 5.5 percent per year. This is attributable to a slower rate of growth in federal aid for highways. Highway expenditure made up 31 percent of total general expenditure in 1968.

Public welfare expenditure experienced a slower rate of growth during the seventeen-year period than during the 1961 to 1968 period.

TABLE 4.22

State of Montana Revenue From Current Charges in Detail for Selected Years 1951-68

Fiscal Year Ending	Total Current Charges	Education	Other
	(Millions of Dollars[1])		
1951	4.0	2.6	1.3
1953	4.1	2.5	1.5
1955	4.4	2.1	2.1
1957	6.5	4.5	1.9
1959	7.9	5.7	2.1
1961	9.3	6.6	2.5
1963	12.7	10.0	3.7
1965	15.5	12.4	3.2
1967	19.5	15.6	3.9
1968	20.9	16.5	4.4
	Annual Growth (Percent)		
1951-68	10.2	11.5	7.4
1961-68	11.5	14.0	8.4
	Shares in Total		
1951	100	33	67
1961	100	71	29
1968	100	79	21

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

TABLE 4.23

Average Annual Growth Rates in Total General Revenue by Source and the Shares of Each Revenue Source in Total General Revenue

	Average Annual Growth Rate		Percent of Total General Revenue	Percent of Own General Revenue
General Revenue Source	1951-68	1961-68	1968[1]	1968[1]
	(Percent)			
Total Tax Revenue	(6.7)	(6.3)	(45.9)	(73.8)
Individual Income Tax	11.9	11.8	12.9	20.8
Corporation License Tax	6.3	6.5	3.2	5.1
Inheritance Tax	8.7	6.3	1.3	2.0
Severance Tax	6.3	0.4	1.4	2.2
State Property Tax	4.3	3.9	3.3	5.3
Motor Fuel Taxes	5.1	5.3	10.8	17.4
Alcoholic Beverage Taxes	6.2	1.7	2.1	3.3
Tobacco Taxes	6.9	0.4	2.7	4.4
Insurance Premium Taxes	7.3	4.5	1.3	2.1
Public Utility Taxes	7.0	6.8	0.8	1.3
Motor Vehicle Licenses	6.7	7.5	2.8	4.4
Motor Vehicle Operators Licenses	4.2	4.2	0.3	0.6
Corporations in General	4.2	----	0.1	0.1
Alcoholic Beverage Licenses	0.9	3.8	0.6	0.9
Occupations and Businesses NEC[2]	5.7	6.3	1.0	1.6
Hunting and Fishing Licenses	7.3	7.6	1.3	2.1
Charges and Miscellaneous Revenue	(8.8)	(11.9)	(16.3)	(26.2)
Sale of Property	1.0	----	0.2	0.4
Interest Earnings	7.7	9.0	1.8	3.0
Fines and Forfeits	5.6	----	0.2	0.4
Rents and Royalties	7.3	14.4	4.2	6.7
Donations	----	10.4	0.4	0.7
Other Miscellaneous Revenue	----	29.2	0.3	0.4
Education Charges	11.5	14.0	7.2	11.6
Other Charges	7.4	8.4	1.9	3.1
Intergovernmental Revenue	(8.5)	(9.2)	(37.8)	----
Total General Revenue	7.6	8.1	100.0	----
Own General Revenue	7.2	7.5	62.2	100.0

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

2. NEC stands for not elsewhere classified.

TABLE 4.24

Average Annual Growth Rates
in Total General Expenditure
by Function and Shares of Each Function in
Total General Expenditure in 1968

General Expenditure Function	Average Annual Growth Rates 1951-68	Average Annual Growth Rates 1961-68	Percent of Total 1968[1]
	(Percent)		
Education	10.3	11.1	40
Higher Education	11.8	10.9	(20)
Other	9.0	12.4	(20)
Highways	7.9	5.5	31
Public Welfare	2.5	6.9	7
Health and Hospitals	3.7	7.3	5
Police Protection and Correction	8.7	5.9	2
Natural Resources	4.9	5.4	6
General Control and Financial Administration	7.0	6.4	2
Miscellaneous and Employment Security Administration	10.2	6.8	6
Total General Expenditure	7.6	8.1	100
Intergovernmental Revenue	8.5	9.1	37
Own General Expenditure	7.1	7.4	63

Source: State Government Finances, 1951-68, (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

This was because of the decline in welfare expenditure, primarily for old age assistance, during the late 1950s. Farmers were brought under the Social Security Act, apparently having the effect of significantly reducing old age assistance case loads. Subsequent to the decline in old age assistance payments, several other factors began to push welfare expenditure upward. First, the case loads for aid to dependent children began to rise. Second, the state undertook a medical care program, called Medicaid, for the poor. These two factors were operating to push public welfare expenditure upward during the 1960s.

Taken together, education, highways, and public welfare make up 78 percent of total general expenditure of state government in Montana.

On the revenue side, taxes made up 74 percent of own general revenue in 1968. Five tax sources--individual income tax, motor fuel tax, state property tax, corporate license tax, and motor vehicle license tax make up over one-half (53.0 percent) of own general revenue. If these five taxes are added to tobacco taxes, rent and royalty income and education charges, 75.7 percent of own general revenue is accounted for.

The individual income tax, the largest single source of state tax revenue, was also the fastest growing revenue source from 1951-68. The addition of 1969 data would show that this trend was the same through 1969.

Rent and royalty income and charges in higher education were the fastest growing sources of revenue from 1961 to 1968. Rent and royalty income growth during the past few years can be attributed to state land leases and oil and gas royalties. Growth in education charges can be attributed to the rapid growth in the number of students in the university system during the 1960s and the increased costs of service functions such as food service, student housing, etc.

Total general revenue has been growing slower than own general revenue during the seventeen-year period. This is because of the more rapid growth of federal aid than revenue from the state's own sources.

CHAPTER 5 LOCAL GOVERNMENT FINANCE IN MONTANA

Chapter 5

LOCAL GOVERNMENT FINANCE IN MONTANA

Introduction

The purpose of this chapter is to explore the finances of local government units in Montana in detail. We rely here primarily on the Census Bureau data which are the most comprehensive and comparable from one year to the next. However, the Census Bureau data is supplemented by data from local sources such as the Board of Equalization and other agencies and sources.

Local governments in Montana, as in most other states, exist solely at the pleasure of the state government. They have no inherent taxing or spending powers. They are closely regulated by state law and are confined by arbitrary physical boundaries.

In 1967, there were 1,103 local government units in Montana. The direct general expenditures of these governments amounted to $188 million, or 47 percent of the state-local total, and they employed 22,650 persons, or 62 percent of the state-local total employment in 1967. The majority of local governments in Montana are limited to providing a single service to a population in a confined geographic area. Of the 1,103 local governments in Montana in 1967, 713 were school districts and 209 were special districts. Over 84 percent of the 1,103 local units of government in Montana in 1967 were single service units. These specialized single service units made 58.3 percent of the current direct general expenditure of local government during the year. Montana ranked forty-fourth in the nation in population per local unit of government in 1967. Montana had one local unit of government for every 636 people. The five states with fewer people per local unit of government were Nebraska, North Dakota, South Dakota, Kansas, and Vermont. Clearly, local government is a significant force in determining service levels, tax burdens, and the level of government activity in Montana.

Most local governments in Montana have overlapping jurisdictions with other local units of government. All residents of the state are taxed and served by a county government; most are served by city government, at least one school district, and possibly one or more special districts. Since the major source of revenue to all local governments in the state is the property tax, overlapping taxing jurisdictions create problems of priorities among local units of government as well as the usual problems of priorities of services within a single governmental unit. Property owners may reject an increase in school district taxes because the combination of state, county, city, and special district property taxes are too high; not because they are hesitant to support their public schools. Overlapping taxing jurisdictions create problems which can only be solved by close cooperation and coordination of purpose by officials of local units of government.

Local government finance is a very complex matter, especially in a state with large numbers of local governments relative to its population. The following discussion of local government in Montana will be concerned with the legal status of the various local government units in Montana, their taxing and spending powers, and other limitations and requirements placed on them by the state government. Revenue and expenditure of local units of government will be discussed in aggregate by the type of government and by the size of the populations served by local units of government. In addition, local government revenue and expenditure will be analyzed by counties to show differences in local government revenue and expenditure patterns caused by differences in the economic and demographic features of the counties in the state. Finally, several measures of fiscal capacity and tax effort will be presented by counties to demonstrate the relative effort required in different counties to support local government activities and services. While these are not all of the important aspects of local government finance, the data presented will illuminate some of the more pressing problems facing local units of government in Montana.

County Governments

There are fifty-six counties in Montana. Populations in these counties range from less than 1,000 to more than 50,000 people.

Counties are the highest local level of government in Montana. They are legal subdivisions of the state government with powers and duties fixed by state statutes. All actions taken by county governments must be justified in state laws which define and limit their powers. They may not assume powers which are not expressly granted to them by the state constitution or by state statute.

State law gives the following general powers to county government: (1) to sue and be sued, (2) to purchase and hold land within its limits, (3) to make contracts and purchase and hold property necessary for the operation of the county government, (4) to use and dispose of its property in the interest of its inhabitants, and (5) to levy and collect taxes in its jurisdiction for purposes authorized by state law.

The list of specific powers granted to county governments by the state is too extensive to adequately discuss in this section. However, the major provisions dealing with the structure and finance of county governments are discussed here. A complete enumeration of the tax limitations of county governments may be found in Part V--Compendium of State and Local Taxes.

County Commissioners. Each county must have a board of county commissioners consisting of three members, elected from within the county, for a term of office of six years. The county commissioners are the chief administrators of the county government, and, generally, must meet twice a month to conduct county business. A county manager may be hired if the majority of the county electorate desires; if this is done, the county manager will devote full time to the conduct of county business.

The county commissioners are responsible for: (1) the supervision of all county officers, (2) the conduct and declaration of the results of all county elections, (3) the levying of taxes for construction and maintenance of county roads, ferries, and bridges, (4) erecting and managing county buildings, (5) the purchase of or sale of county property, (6) establishing the salaries of county officers where they are not specified by state law, and (7) publishing minutes of their meetings, lists of claims, and financial statements.

They also have the power to borrow money on the credit of the county to meet current expenses and to issue bonds for the funds necessary for purchase of land or the construction of county buildings, bridges, or roads.

Another duty of the county commissioners is to establish special inprovement districts. These districts normally require the approval of 60 percent of the taxpayers in the district. Mosquito control districts and noxious weed control districts require the approval of the owners of 51 percent of the land in the district. Special districts within the county but outside of any municipality are called rural improvement districts and may be created for constructing or purchasing sanitary and storm sewers, light systems, sidewalks, water systems, or other special improvements petitioned for by the residents of the area.

County Treasurer. The county treasurer is an elected county official who serves a four-year term. He is the primary fiscal officer of the county and his duties include: (1) receiving all county funds and paying all county debts, (2) keeping public school funds and insuring that they are dispersed to school districts in accordance with the apportionment established by the county superintendent of public schools, (3) preparing annual reports concerning county finances, (4) preparing the county budget from information supplied by other county agencies and officers, and (5) collecting county taxes.

The county clerk is also responsible for submitting an annual report to the state examiner showing the complete financial status of the county government for the preceding fiscal year. This report must include a description of the resources and liabilities of the county, receipts and sources of county revenue, expenditures of the county by purpose, the assessed value of all property in the county, county property tax rates and receipts, the amount of delinquent county property taxes, and any other information required by the state examiner.

This annual report of the county clerk could be one of the best sources of economic information concerning local governments in the state, especially since similar reports are required from other levels of local government by the state. Unfortunately, even though the report is required by state law, the reporting procedure is not standard among the counties. For example, some counties report expenditures in great detail, but others combine expenditures into broad categories. Some counties list expenditures for functions which do not appear in other counties' reports. Further, different accounting techniques are used by the various counties compounding the differences in the annual reports filed with the state examiner. The result is a hodge-podge of fiscal data which is of dubious value to the state examiner and provides precious little information to those interested in local government activity in the state or to citizens interested in the financial status of their local governments. The most that can be said for this report is that it fulfills the requirement of the state law to provide a financial report to the state examiner.

Because of the lack of adequate fiscal data from internal sources, this report relies almost exclusively on data from the Census of Governments which is conducted by the Bureau of the Census every five years. Unfortunately, the latest data available from this source pertains to the 1967 fiscal year. Unless an effort is made to standardize the annual financial reports of local governments in Montana, the next new data on individual local governments in Montana will be collected by the Bureau of the Census in 1972 and will become available to the state sometime late in 1974 or early in 1975. The data that is available is obviously inadequate for the purpose it must serve.

Municipal Governments

City and town governments, like the county government in Montana, have no inherent powers but derive all of their authority from state statute. There are four classes of municipal government in Montana. First-class cities have populations of 10,000 or more, second-class cities have populations of 5,000 to 10,000 inhabitants, third-class cities have populations from 1,000 to 5,000 inhabitants, and municipalities with less than 1,000 inhabitants are classified as towns.

The City Council. The city council is the executive board of municipal government. It consists of two aldermen from each ward in the city. First-class cities must have between four and ten wards, second-class cities have between three and six wards, third-class cities have from two to four wards, and towns have either two or three wards.

The city council has the power to pass city ordinances; levy taxes on taxable property; and license all industries, pursuits, professions and occupations within the city. The council may refuse a license to any person if they deem this action to be in the public interest.

The Mayor. The mayor is the chief executive of a city or town. He must appoint, with the consent of the city council, all nonelective officers of the city or town; cause the ordinances of the city or town to be executed; and recommend measures to the city council which he deems appropriate dealing with public health, cleanliness, civic improvement, and government finance. He must also prepare a complete financial statement of the city every three months and perform other duties specified by state law and local ordinance.

City Treasurer. The financial officer of municipal government is the city treasurer. He must receive all money of the city government and pay all city debts and warrants. He must prepare and present a detailed statement of the city financial position to the council every month and perform other duties as specified by state law and city ordinance.

City governments, like the county governments, have the power to create special improvement districts. They are created and administered by the city council and may be for practically any purpose dealing with the improvement of a specific area within the city. These districts are limited to areas within the jurisdiction of the municipal government.

School Districts

School districts are defined by state law to be corporate bodies capable of suing and being sued, and are required to purchase, hold, and sell personal and real property for school purposes. School districts are supervised by the county superintendent of public schools and are governed by local school boards. School districts are divided into three classes. First-class districts are those with populations of over 8,000 people, second-class districts serve from 1,000 to 8,000 persons, and third-class school districts have less than 1,000 persons.

Local School Boards. Local school boards are composed of seven trustees in first-class districts, five trustees in second-class districts, and three trustees in third-class districts. School boards are charged with governing all schools under their jurisdiction, employing and discharging teachers and other employees, establishing tuition for nonresident students, enforcing the rules and regulations of the state superintendent of public instruction, and ensuring that suitable educational materials are available for the use of the teachers and students under their jurisdiction.

The school board also prepares the preliminary budget for its school. The budget must be approved by the majority of the trustees on the board and is then presented to the county superintendent of schools. The budget is then presented to the county board of budget supervisors which approves all school budgets in the county. The county board of school budget supervisors, which is in reality the board of county commissioners, may raise or lower the proposed budgets of any school in the county, so long as the budget is at least equal to that required by state law but not more than 30 percent higher than that required by state law. Budgets in excess of this amount must be approved by the registered voters in the school district.

After the school budgets are finalized and the county and state funds are allocated to local schools, mill levies are computed for each district that will yield the required amount of revenue from the taxable property base of the district. Taxes are collected by the county for the school districts within each county.

The Number of Local Governments

There were 2,174 local units of government in 1942. By 1967, the number of local governments had decreased to 1,103 as a result of the consolidation of local school districts in the state. Although school districts are still the most numerous form of local government, the number of individual school districts decreased from 1,149 in 1957 to 713 in 1967 (see Table 5.1).

There are many reasons for the consolidation of school districts in Montana. A few of these are: (1) savings in current expenditure per pupil realized because of economics of scale in larger schools, (2) reduction in capital investment from building and maintaining fewer large schools as opposed to numerous small schools, and (3) diversified and more complete courses of study which may be more feasibly provided by schools with large enrollments.

There were more special districts in 1967 than there were in 1957. There were fewer municipalities in 1967 than in either 1952 or 1957. The number of counties has remained the same over this period. Either savings could not be made by consolidating other units of government in Montana, or there are artificial, nonmarket influences such as tradition which preclude local government consolidation.

Montana ranks forty-fifth among the fifty states in the number of people per local unit of government. Kansas, North Dakota, South Dakota, Nebraska, and Vermont have fewer people per local unit of government than does Montana. Montana has 636 people per local unit of government compared with the fifty-state average of 2,412 people per local unit of government. In order to compare population per local unit of government in Montana with other states, some other factors must be considered. First, it should be expected that states with large land areas would have more local governments than states with small land areas. There is a limit as to the geographical area that can be effectively served by a local unit of government. However, technology is rapidly changing the capability of government to serve broader areas especially for some services. Another factor which should be considered is the importance of local governments in the state-local fiscal system. States in which a large part of total state-local expenditure is made by local units of government would be expected to have more units of local government, other things being equal, than states in which the state government retains responsibility for providing most government services. In order to evaluate the average population service by local units of government, a composite index was prepared which gives equal weight to population per local unit of government, geographic size of the

TABLE 5.1

Local Governments in Montana by Type of Government Selected Years 1952 to 1967

Type of Government	1952	1957	1962	1967
Counties	56	56	56	56
Municipalities	310	353	124	125
School Districts	1,287	1,149	1,015	713
Special Districts	133	174	192	209
Total	1,598	1,503	1,387	1,103

Source: State Reports, 1952, 1957, 1962, and 1967 (U.S. Dept. of Commerce, Bureau of the Census).

state, and the relative importance of local government in the state-local fiscal system as measured by direct general expenditure. This index is presented on Table 5.2.

Montana ranks forty-fifth among the fifty states in population per local unit of government. However, adjustments for the size of the states and the relative importance of local government in the states raises Montana's rank to thirty-fourth among the fifty states. This index indicates that there are more units of local government in Montana relative to its population and size than there are in most other states. Compared with the eight states in the western region of the United States, Montana ranks fourth. Montana ranks behind Colorado, Nevada, and Utah and ahead of Idaho, North Dakota, South Dakota, and Wyoming.

Local Government Revenue and Expenditure in Montana

Local government revenue and expenditure in this section is discussed by type of government and by the size of the populations served by governmental units. Intercounty comparisons are presented later. However, this aggregate data provides interesting information about local government in Montana and illuminates inequities in the system which deserve attention in the discussion of individual county units.

Table 5.3 shows revenue of local units of government by population-size groups of county areas. This revenue data applies to all local governments within each of the four population-size groups. In 1967, three counties in Montana had populations exceeding 50,000, four counties had populations between 25,000 and 49,999, fourteen counties had populations between 10,000 and 24,999, and thirty-five counties had less than 10,000 people. For each population-size group, Table 5.3 shows total revenue, per capita revenue, and the percent distribution of total revenue among the population-size groups of counties.

Per capita general revenue from own sources, total tax revenue, and property tax revenue were all higher in the counties with small populations than in the counties with large populations. The larger counties, however, received more intergovernmental aid per capita than the small counties. The largest counties also received more revenue per capita from other taxes and charges and miscellaneous revenue. Per capita total general revenue is nearly 17 percent higher in the thirty-five smallest counties than in the three largest counties. The difference is even greater (29 percent) in general revenue from own sources.

The percentage distribution of revenues to local governments by population size groups is also interesting. The three largest counties as a group have 30.8 percent of the total state population. They receive 33.9 percent of the intergovernmental revenue to local governments, but collect only 28.5 percent of total local property taxes. They receive 31.2 percent of all local general revenue. In contrast, the thirty-five smallest counties have 21.1 percent of the state population, but they receive only 17.5 percent of intergovernmental revenue of local governments in the state. They collect 28.3 percent of all local property taxes in the state.

TABLE 5.2

Population Per Local Unit of Government, Land Area, Ratio of Local
Direct General Expenditure to Total State-Local General
Expenditure, and Composite Index
Fifty States, 1967

State	Population Per Unit of Local Government	Rank	Land Area	Rank	Local Direct General Expenditure as Percent of Total State-Local Direct General Expenditure	Rank	Composite Index	Rank
Alabama	4,411	15	51,060	28	50.9	32	107	15
Alaska	4,344	16	571,065	1	26.6	49	615	1
Arizona	4,069	17	113,575	6	57.5	22	249	7
Arkansas	1,562	35	52,499	27	48.7	41	369	4
California	4,866	12	156,573	3	67.6	4	481	2
Colorado	1,562	36	103,884	8	60.5	15	92	18
Connecticut	6,969	7	4,899	48	56.0	27	18	44
Delaware	3,018	24	1,978	49	46.9	42	3	49
Florida	7,128	6	54,252	26	65.8	7	236	8
Georgia	3,696	19	58,274	21	57.0	25	114	13
Hawaii	38,105	1	6,415	47	24.1	50	51	32
Idaho	800	43	82,695	11	53.2	29	33	40
Illinois	1,671	33	55,930	24	64.9	10	57	27
Indiana	1,855	30	36,185	38	60.0	18	37	39
Iowa	1,532	37	56,032	23	61.6	14	49	33
Kansas	620	47	82,048	13	65.2	9	31	41
Kentucky	3,341	20	39,863	36	43.7	44	54	30
Louisiana	4,935	10	45,106	32	49.5	36	102	16
Maine	1,401	38	31,012	39	51.9	31	21	43
Maryland	10,006	3	9,874	42	67.2	5	63	24
Massachusetts	8,261	4	7,867	45	68.9	3	42	36
Michigan	2,916	27	57,019	22	63.0	13	98	17
Minnesota	854	42	80,009	14	66.7	6	42	35
Mississippi	2,985	25	47,223	31	52.9	30	69	21
Missouri	1,565	34	69,138	18	59.8	19	60	26
MONTANA	636	45	145,467	4	50.7	34	44	34
Nebraska	328	48	76,612	15	64.4	11	15	45
Nevada	2,952	26	109,788	7	60.5	16	183	9
New Hampshire	1,315	41	9,014	44	49.1	38	54	31
New Jersey	4,855	13	7,521	46	71.7	2	260	6
New Mexico	3,264	21	121,510	5	48.9	40	182	10
New York	5,224	9	47,939	30	75.3	1	176	11
North Carolina	6,612	8	49,067	29	57.2	23	173	12
North Dakota	233	49	69,457	17	46.1	43	69	47
Ohio	3,157	22	40,972	35	65.3	8	179	20
Oklahoma	1,397	39	68,887	19	42.7	47	38	38
Oregon	1,355	40	96,248	10	56.4	26	68	22
Pennsylvania	2,321	28	45,007	33	57.1	24	56	28
Rhode Island	8,220	5	1,058	50	43.2	45	33	48
South Carolina	4,613	14	30,272	40	50.8	33	66	23
South Dakota	193	50	76,378	16	50.2	35	69	46
Tennessee	4,887	11	41,762	34	59.5	20	114	14
Texas	3,119	23	262,840	2	60.4	17	462	3
Utah	2,263	29	82,339	12	49.3	37	85	19
Vermont	627	46	9,276	43	36.7	48	2	50
Virginia	11,979	2	39,839	37	58.5	21	261	5
Washington	1,841	31	66,709	20	53.6	28	62	25
West Virginia	3,976	18	24,079	41	42.8	46	38	37
Wisconsin	1,673	32	55,706	25	64.4	12	56	29
Wyoming	676	44	97,406	9	49.0	39	30	42
Fifty State Average	2,412	--	-------	---	62.5	--	100	--

Source: 1967 Census of Government (U.S. Dept. of Commerce, Bureau of the Census).

TABLE 5.3

Revenue of Local Government by Population-Size Groups of County Areas
Montana, 1966-67

	50,000 to 99,000	25,000 to 49,999	10,000 to 24,999	Less Than 10,000	Totals	Percent Distribution				
						50,000 to 99,999	25,000 to 49,999	10,000 to 24,999	Less Than 10,000	Totals
Number of Counties	3	4	14	35	56	5.4	7.1	25.0	62.5	100.0
Population	215,800	145,000	192,800	148,100	701,700	30.8	20.7	27.5	21.1	100.0
General Revenue	58,010.00	34.807.00	46,598.00	46,525.00	185,941.00	31.2	18.7	25.1	25.0	100.0
Intergovernmental Revenue	12,751.00	6,755.00	11,555.00	6,593.00	37,653.00	33.9	17.9	30.7	17.5	100.0
Own General Revenue	45,259.00	28,053.00	35,044.00	39,932.00	148,288.00	30.5	18.9	23.6	26.9	99.9
Taxes	34,694.00	21,999.00	29,602.00	33,701.00	119,996.00	28.9	18.3	24.7	28.1	100.0
Property Taxes	32,549.00	21,114.00	28,154.00	32,274.00	114,092.00	28.5	18.5	24.7	28.3	100.0
Other Taxes	2,145.00	885.00	1,448.00	1,426.00	5,904.00	36.3	15.0	24.5	24.2	100.0
Charges and Miscellaneous	10,565.00	6,054.00	5,442.00	6,232.00	28,292.00	37.3	21.4	19.2	22.0	99.9
			(Per Capita)							
General Revenue	268.81	240.05	241.69	314.15	264.99					
Intergovernmental Revenue	59.09	46.59	59.93	44.52	53.66					
Own General Revenue	209.73	193.47	181.76	269.63	211.33					
Taxes	160.77	151.72	153.54	227.56	171.01					
Property Taxes	150.83	145.61	146.03	217.92	162.59					
Other Taxes	9.94	6.10	7.51	9.63	8.41					
Charges and Miscellaneous	48.96	41.75	28.23	42.08	40.32					

Source: 1967 Census of Governments, Vol. 4, No. 5, Table 52 (U.S. Dept. of Commerce, Bureau of the Census), pp. 254-255.

Table 5.4 shows expenditure data of local units of government by population-size groups for 1967. Expenditure per capita by local units of government is higher in the smallest counties than in the largest counties for every expenditure category, except police, fire, and corrections, and the category of other expenditures. Total direct general expenditure of local units of government is 7 percent higher in the thirty-five smallest counties than in the three largest counties. Per capita expenditure for highways is 71 percent higher in the smallest counties than in the largest counties. Police, fire, and corrections expenditure per capita is highest in the largest counties. It is 77 percent higher in the three largest counties than in the thirty-five smallest counties.

It has generally been conceded that fiscal pressures are greater on urban areas than on rural areas. While this data is not sensitive to differences in urban and rural areas within a particular county, it does show that the populations of sparsely populated counties raise more local revenue per capita for local governments and pay more per capita for the desired levels of government service than do counties with relatively large populations.

County governments are the most diversified units of local government in the state. Table 5.5 shows that county governments receive 23.5 percent of total general revenue of local units of government, 27.4 percent of total tax revenue, 24.8 percent of property tax revenue, and 78.3 percent of other tax revenue. County government expenditures are for a variety of services. Counties make 69.6 percent of the local highway expenditure; almost 100 percent of the public welfare expenditure; 87.4 percent of the health and hospital expenditures; 30.1 percent of the local expenditure for police, fire and corrections; 82.5 percent of the local expenditure for general control and financial administration; and 34.2 percent of the miscellaneous expenditures of local governments.

Municipal government's largest expenditure category is police, fire, and corrections. Municipalities also make over 30 percent of the local highway expenditures. School districts make 56.6 percent of all direct general expenditures of local governments in Montana and 97.8 percent of all local government expenditure for education is made by school districts. The remaining 2.2 percent is made by county governments and represents the salary and expenses of the county superintendent of schools.

As is evident in Table 5.6, the functions of county and city governments overlap considerably. Because of this, some savings possible from larger operations, especially in administration, are probably not realized because of several levels of government providing the same services to one geographic area.

With this broad perspective of the finances of local governments by size of government and by type of government, we now turn to a more detailed analysis of local government finance by county areas.

Direct General Expenditure by Functions and by County Areas

The preparation and analysis of data and information by county areas is an onerous task because of the large number of counties. Data on the

TABLE 5.4

Expenditure of Local Government in Montana by Population-Size Groups of County Areas 1966-67

	50,000 to 99,999	25,000 to 49,999	10,000 to 24,999	Less Than 10,000	Totals	Percent Distribution				
						50,000 to 99,999	25,000 to 49,999	10,000 to 24,999	Less Than 10,000	Totals
Number of Counties	3	4	14	35	56	5.4	7.1	25.0	62.5	100.0
Population	215,800	145,000	192,800	148,100	701,700	30.8	20.7	27.5	21.1	100.0
Direct General Expenditure	47,973.00	29,098.00	38,105.00	35,358.00	150,534.00	31.9	19.3	25.3	23.5	100.0
Education	27,935.00	15,976.00	23,429.00	20,131.00	87,471.00	31.9	18.3	26.8	23.0	100.0
Highways	3,150.00	2,066.00	3,312.00	3,312.00	12,216.00	25.8	16.9	27.1	30.2	100.0
Public Welfare	1,282.00	797.00	1,097.00	1,113.00	4,290.00	29.9	18.6	25.6	26.0	100.0
Health & Hospitals	1,803.00	1,617.00	851.00	1,628.00	5,901.00	30.6	27.4	14.4	27.6	100.0
Police, Fire, and Correction	3,601.00	2,071.00	1,985.00	1,397.00	9,054.00	39.8	22.9	21.9	15.4	100.0
General Control and Financial Admin.	2,160.00	1,643.00	2,014.00	2,701.00	8,518.00	25.4	19.3	23.6	31.7	100.0
Other	8,042.00	4,928.00	5,417.00	4,700.00	23,084.00	34.8	21.3	23.5	20.4	100.0
(Per Capita)										
Direct General Expenditure	222.31	200.67	197.64	238.75	214.53					
Education	129.45	110.18	121.52	135.93	124.66					
Highways	14.60	14.25	17.18	24.90	17.41					
Public Welfare	5.94	5.50	5.69	7.52	6.11					
Health & Hospitals	8.36	11.15	4.41	10.99	8.41					
Police, Fire, and Correction	16.68	14.29	10.30	9.44	12.91					
General Control	10.00	11.34	10.45	18.24	12.14					
Other	37.28	33.96	28.09	31.73	32.89					

Source: 1967 Census of Governments, Vol. 4, No. 5, Table 52, (U.S. Dept. of Commerce, Bureau of the Census), pp. 254-55.

TABLE 5.5

Local Government Revenue in Montana by Type of Local Government
1966-67

	General Revenue	Intergovernmental Revenue	Own General Revenue	Total Taxes	Property Taxes[1]	Other Taxes	Charges and Miscellaneous Revenue
				(Thousands of Dollars[2])			
Total All Local Governments	185,941	37,653	148,288	119,996	114,092	5,904	28,292
Counties	43,685	2,545	41,140	32,915	28,295	4,620	8,225
Municipalities	33,088	2,233	30,855	18,523	17,456	1,067	12,332
School Districts	102,500	32,643	69,857	64,679	64,462	217	5,178
Special Districts	6,669	232	6,437	3,879	3,879	-----	2,558
				(Percentages[2])			
Total All Local Governments	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Counties	23.5	6.8	27.7	27.4	24.8	78.3	29.1
Municipalities	17.8	5.9	20.8	15.4	15.3	18.1	43.6
School Districts	55.1	86.7	47.1	53.9	56.5	3.7	18.3
Special Districts	3.6	0.6	4.3	3.2	3.4	-----	9.0

Source: 1967 Census of Governments, Vol. 4, No. 5, Table 48 (U.S. Dept. of Commerce, Bureau of the Census), p. 163.

1. The Bureau of the Census apparently allocates county-wide elementary and high school property taxes as revenue to the counties. Thus, in Census publications, counties receive about 30 percent more tax revenue than they should. Data on local tax revenue by type of local government is allocated according to the proportion of taxes levied as reported in the Twenty-second Biennial Report of the Board of Equalization for 1966 on page 107.

2. Details may not add to totals due to rounding.

TABLE 5.6

Local Government Expenditure in Montana by Type of Local Government
1966-67

	Intergovt. Expend.	Direct General Expend.	Education	Highways	Public Welfare	Health & Hospitals	Police, Fire, & Correction	Financial Adminis. & General Control	Other
Total All Local Governments	34,509	150,534	87,471	12,216	4,290	6,060	9,054	8,518	29,661
Counties	33,578	37,635	1,883	8,508	4,287	5,294	2,726	7,025	10,144
Municipalities	72	22,262	4	3,708	3	163	6,328	1,493	14,835
School Districts	812	87,896	85,584	------	-----	-----	-----	-----	2,312
Special Districts	47	2,740	------	------	-----	602	-----	-----	2,370
					(Percentages)				
Total All Local Governments	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Counties	97.3	25.0	2.2	69.6	99.9	87.4	30.1	82.5	34.2
Municipalities	.2	14.8	Z[1]	30.4	.1	2.7	69.9	17.5	50.0
School Districts	2.4	58.4	97.8	------	-----	-----	-----	-----	7.8
Special Districts	.1	1.8	------	------	-----	9.9	-----	-----	8.0

Source: 1967 Census of Governments, Vol. 4, No. 5, Table 48 (U.S. Dept. of Commerce, Bureau of the Census), pp. 163.

Note: All expenditures exclude capital outlays where possible. Items of direct general expenditure therefore do not add to direct general expenditure.

1. Z stands for less than .05 percent.

financial aspects of local units of government within county areas are difficult to use in a meaningful way because of lack of population and income data for each subunit. It is unfortunate that it is impossible to realistically segregate the finances of counties, municipalities, school districts, and special districts for comparison across the state. In spite of these data shortcomings, some realistic comparisons can be made, because it is appropriate to view all units of local government within a county as serving that county population. Variations in expenditures per capita from county-to-county of all local government units may be viewed as an indicator of the variations in the level of local government services provided to the population in that county.

The analysis presented here is in several parts. First, we present total direct current general expenditures by function of government and by county areas. This data represents the total dollar expenditure on the general functions of government (excluding utilities) minus capital outlay expenditures. Capital outlay is excluded because of the wide variation in capital outlay among local units in a given year. Exclusion of capital outlay among local units and the resulting current operation general expenditure represent expenditure on personal services, assistance and subsidies, and debt service payments. The purpose of this data is to provide a general knowledge of the magnitude of local government activity within each county area exclusive of large variations in capital outlay which do not occur uniformly over time in all county areas. We also present a special exhibit showing the data for the nine most urban counties and the twenty-one smallest counties in the state.

Second, we present data showing the proportion (percent) of total direct current expenditure represented by each of the functions of government for each county area. This data is presented to provide knowledge of the relative importance of the various functions of local government by county area. Variations in the percent of total expenditure represented by different functions of local government indicate the differences in amount of attention local governments have had to give to a particular government activity.

Third, we present data showing direct current expenditure per capita by function of government and by county area. This data shows the number of dollars of current expenditure on the general functions of government by function for each person in the county by all units of local government in the county. This per capita direct current general expenditure data is purported to represent the amount in dollar terms of government service provided to the people living in each county area. Of course, county-by-county comparisons are subject to nearly the same shortcomings as state-by-state comparisons discussed at some length in the chapter on State and Local Finance in Montana. These factors must be born in mind when making judgments about the meaning of differences in per capita expenditures among county areas. We also present per capita expenditure data by local units in the nine urban county areas, and make comparisons with the state average of all county areas. The data are presented for the twenty-one smallest counties in the state.

The entire set of data discussed above is prepared for 1957 and 1967 for all county areas in the state. Growth in per capita direct current general expenditure from 1957 to 1967 is analyzed, and the difference in the annual growth rate of each county area and the state is analyzed.

Finally, we have prepared data showing per capita general debt in 1957 and 1967 for all units of government (excluding utility enterprises), and the change in per capita general debt from 1957 to 1967. Per capita general capital outlay for 1957 and 1967 are analyzed, as are the changes from 1957 to 1967.

The 1957 Data on Expenditures. Table 5.7 was prepared to show the magnitude of local government activity in the fifty-six county areas in Montana in 1957. Local units of government in Montana made direct current general expenditures of $85.4 million in 1957. The range in local government expenditure was from $9.9 million in Yellowstone County to $0.2 million in Treasure County in 1957. In 1957, the average annual expenditure of the fifty-six county areas was $1.5 million.

In 1957, the fifty-six county areas spent $42.5 million on education for current operations. The county area making the largest expenditure for education was Yellowstone, which spent $4.1 million. The Petroleum County area spent only $0.6 million for current educational purposes--the smallest of any county area. The average annual education expenditure by the fifty-six county areas was $0.8 million in 1957.

Local units of government spent $9.3 million on rural roads and streets and alleys in 1957. The Cascade County area spent $0.8 million on roads and streets; this was the largest amount spent in any county area in 1957 for those purposes. The smallest amount spent in 1957 was $17,000 spent in Petroleum County. In 1957, the fifty-six county areas averaged $0.2 million in current expenditure for roads and streets, exclusive of any capital outlay.

Public welfare expenditures in the fifty-six county areas were about $3.0 million in 1957. Cascade County made the largest expenditure for public welfare, spending $0.4 million. At the same time, Petroleum County spent only $2,000 for public welfare purposes. The average expenditure of the fifty-six counties for public welfare was $54,000 in 1957.

Direct current expenditures for health and hospitals was $2.7 million in 1957. The Yellowstone County area made the largest outlay in 1957 which was $0.5 million. Petroleum County spent only about $1,000 for health and hospitals in 1957. In 1957, the fifty-six county average expenditure for health and hospitals was about $48,000.

Police protection and correction which includes city police, city jails, sheriff's offices, and county jails cost a total of $3.4 million in 1957. The Yellowstone County area spent $0.5 million, followed closely by

TABLE 5.7

Total Direct Current General Expenditure by County by Function of Government in 1957 of All Local Units of Government[1]

County Area	Direct Current General Expenditure	Education	Highway	Public Welfare	Health & Hospitals	Police & Correction	General Control	Other
				(Thousands of Dollars)				
Beaverhead	1,346	918	144	41	30	44	73	96
Big Horn	1,167	726	92	37	41	12	68	191
Blaine	1,345	740	162	38	69	35	77	224
Broadwater	378	207	38	14	9	17	44	49
Carbon	1,313	848	154	62	20	30	88	111
Carter	393	223	46	11	15	15	47	36
Cascade	8,216	3,343	835	442	390	385	463	2,358
Chouteau	1,251	670	199	36	51	35	86	174
Custer	1,670	710	198	53	30	64	91	524
Daniels	598	326	71	10	12	23	51	105
Dawson	1,202	439	205	29	39	136	113	241
Deer Lodge	1,654	743	184	36	48	120	140	383
Fallon	602	290	94	11	13	15	94	85
Fergus	1,864	1,040	251	79	53	53	119	269
Flathead	3,833	2,083	426	212	55	153	348	556
Gallatin	2,642	1,284	313	51	112	129	174	579
Garfield	274	121	52	5	21	8	32	35
Glacier	1,450	754	137	61	62	82	108	246
Golden Valley	273	166	44	3	4	5	34	17
Granite	488	246	72	8	58	20	38	46
Hill	2,166	1,133	254	32	55	70	148	474
Jefferson	524	310	79	13	11	23	35	53
Judith Basin	556	354	86	15	15	9	38	39
Lake	2,193	1,611	181	43	47	42	79	190
Lewis & Clark	3,114	1,544	304	88	90	153	259	676
Liberty	477	210	98	4	47	9	40	69
Lincoln	1,475	928	207	46	29	49	93	123
McCone	516	293	79	13	24	7	51	49
Madison	730	467	102	25	24	16	53	43
Meagher	335	161	59	12	6	14	40	43
Mineral	514	337	38	19	21	12	44	43
Missoula	4,012	2,240	412	160	115	205	276	604
Musselshell	648	400	54	26	24	20	64	60
Park	1,254	565	187	43	29	85	71	274
Petroleum	125	57	17	2	1	1	19	28
Phillips	1,053	530	129	33	27	24	101	209
Pondera	1,122	516	184	41	43	29	73	236
Powder River	278	149	43	7	6	7	35	31
Powell	799	412	135	26	24	33	60	109
Prairie	385	146	42	18	7	11	34	127
Ravalli	1,405	976	176	68	26	35	56	68
Richland	1,430	762	111	50	31	39	88	349
Roosevelt	1,871	1,158	180	35	78	69	110	241
Rosebud	984	496	93	72	30	30	108	155
Sanders	1,338	752	146	75	119	27	68	151
Sheridan	1,024	655	107	26	28	19	60	129
Silver Bow	4,707	2,013	424	377	155	328	365	1,045
Stillwater	828	484	128	22	14	34	70	76
Sweet Grass	317	143	57	17	2	15	51	32
Teton	1,206	540	165	53	10	44	70	324
Toole	1,427	667	195	21	157	50	92	245
Treasure	209	112	23	4	2	5	26	37
Valley	1,849	1,029	201	44	57	70	118	330
Wheatland	392	242	45	11	16	11	36	31
Wibaux	266	138	49	6	5	9	29	30
Yellowstone	9,897	4,074	754	261	197	462	526	3,623
State Total	85,385	42,481	9,261	3,047	2,704	3,447	5,774	18,671

Source: 1957 Census of Governments, Vol. VI, No. 24, Table 36, (U. S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding. The data here exclude capital outlay to avoid distortion due to uneven capital outlay expenditure among counties over time.

TABLE 5.7--Continued

County Area	Direct Current General Expenditure	Education	Highway	Public Welfare	Health & Hospitals	Police & Correction	General Control	Other	Population
	(Thousands of Dollars)								
Deer Lodge (Anaconda)	1,654	743	184	36	48	120	140	383	21,400
Yellowstone (Billings)	9,897	4,074	754	261	197	462	526	3,623	75,700
Gallatin (Bozeman)	2,642	1,284	313	51	112	129	174	579	24,700
Silver Bow (Butte)	4,707	2,013	424	377	155	328	365	1,045	7,100
Cascade (Great Falls)	8,216	3,343	835	442	390	385	463	2,358	71,100
Hill (Havre)	2,166	1,133	254	32	55	70	148	474	17,700
Lewis and Clark (Helena)	3,114	1,544	304	88	90	153	259	676	29,300
Flathead (Kalispell)	3,833	2,083	426	212	55	153	348	556	34,300
Missoula (Missoula)	4,012	2,240	412	160	115	205	276	604	46,500
Nine County Total	40,243	18,457	3,906	1,659	1,217	2,005	2,699	10,298	380,300
Fifty-six County Total	85,385	42,481	9,261	3,047	2,704	3,447	5,774	18,671	678,000
Nine Counties as Percent of Total	47.1	43.4	42.2	54.4	45.0	58.2	46.7	55.2	56.1
Percent of Total--Nine County	100.0	45.9	9.7	4.1	3.0	5.0	6.7	25.6	------
Broadwater	378	207	38	14	9	17	44	49	2,500
Carter	393	223	46	11	15	15	47	36	2,300
Daniels	598	326	71	10	12	23	51	105	3,800
Fallon	602	290	94	11	13	15	94	85	3,800
Garfield	274	121	52	5	21	8	32	35	2,000
Golden Valley	273	166	44	3	4	5	34	17	1,200
Granite	488	246	72	8	58	20	38	46	3,300
Jefferson	524	310	79	13	11	23	35	53	4,100
Judith Basin	556	354	86	15	15	9	38	39	2,900
Liberty	477	210	98	4	47	9	40	69	2,900
McCone	516	293	79	13	24	7	51	49	3,400
Meagher	335	161	59	12	6	14	40	43	2,600
Mineral	514	337	38	19	21	12	44	43	2,900
Musselshell	648	400	54	26	24	20	64	60	4,900
Petroleum	125	57	17	2	1	1	19	28	900
Powder River	278	149	43	7	6	7	35	31	2,600
Prairie	385	146	42	18	7	11	34	127	2,500
Sweet Grass	317	143	57	17	2	15	51	32	3,100
Treasure	209	112	23	4	2	5	26	37	1,200
Wheatland	392	242	45	11	16	11	36	31	2,900
Wibaux	266	138	49	6	5	9	29	30	1,600
Twenty-one County Total	8,548	4,631	1,186	229	319	256	882	1,045	57,400
Fifty-six County Total	85,385	42,481	9,261	3,047	2,704	3,447	5,774	18,671	678,000
Twenty-one Counties as Percent of Total	10.0	10.9	12.8	7.5	11.8	7.4	15.3	5.6	8.5
Percent of Total Twenty-one Counties	100.0	54.2	13.9	2.7	3.7	3.0	10.3	12.2	------

Cascade and Silver Bow Counties. Again, the Petroleum County area spent about $1,000 for police protection and correction. The average of all county areas in 1957 was about $62,000.

General control and financial administration expenditures are for the operation of all city and county offices and police courts. In 1957, local units of government spent a total of $5.8 million for these purposes; that made an average of about $0.1 million per county area. Again, the Yellowstone County area led the rest with an expenditure of $0.5 million in 1957. The county area spending the least for general control and financial administration in 1957 was Petroleum County, which spent only $19,000.

Table 5.7 also contains data on the nine most urban counties, but they are arranged more concisely to better illustrate their financial magnitudes. The nine most urban counties had 56.1 percent of the state's population in 1957. These nine counties made 47.1 percent of direct current general expenditure. They spent 43.4 percent of the current expense for education and 42.2 percent of the current expense for highways. The nine most urban counties spent 54.4 percent of all local welfare expenditures in the state and 58.2 percent of all local police protection and correction expenditures in the state.

By contrast, the twenty-one smallest counties in the state accounted for 10.0 percent of all local direct current expenditures in the state of Montana. These twenty-one smallest counties had only 8.5 percent of the state's population in 1957.

Table 5.8 was prepared to show the percent of direct current general expenditure represented by each function of government in the fifty-six county areas in 1957. For all areas combined, education took about 49.7 percent; highways took 10.8 percent; public welfare took 3.6 percent; health and hospitals took 3.2 percent; police protection and correction took 4.0 percent; and general government took 6.8 percent of direct current general expenditure in 1957. Lake County spent the highest percent of its current expense for education, allocating 73.5 percent to education in 1957. By contrast, Dawson County spent only 36.5 percent of its current expenditure on education in 1957. Liberty County spent 20.5 percent of its current expenditure on roads and streets, and Mineral County used only 7.4 percent of its current expenditure for roads. Silver Bow County used 8.0 percent of its current expenditure for public welfare, and Liberty County spent only 0.8 percent of its current expense on welfare. Granite County used the highest percent of its current expense for health and hospitals, while Sweet Grass County spent the lowest. Granite County spent 11.9 percent and Sweet Grass County spent 0.6 percent of current expense for health and hospitals respectively. Dawson County spent 11.3 percent of its direct current expenditure for police protection and correction, but Petroleum County used only 0.8 percent of its current expense for that purpose. Petroleum County used 15.2 percent of its current expense for general government purposes, over twice the percent used by all county areas combined. Ravalli County used only 4.0 percent of current expenses for general government.

TABLE 5.8

Current Expenditure by Function by County as Percent of Direct Current Expenditure By Counties for all Local Units of Government 1957[1]

County Area	Direct Current General Expenditure	Education	Highways	Public Welfare	Health & Hospitals	Police & Correction	General Government	Other
				(Percent)				
Beaverhead	100.0	68.2	10.7	3.0	2.2	3.3	5.4	7.1
Big Horn	100.0	62.2	7.9	3.2	3.5	1.0	5.8	16.4
Blaine	100.0	55.0	12.0	2.8	5.1	2.6	5.7	16.7
Broadwater	100.0	54.8	10.1	3.7	2.4	4.5	11.6	13.0
Carbon	100.0	64.6	11.7	4.7	1.5	2.3	6.7	8.5
Carter	100.0	56.7	11.7	2.8	2.8	3.8	12.0	9.2
Cascade	100.0	40.7	10.2	5.4	4.7	4.7	5.6	28.7
Chouteau	100.0	53.6	15.9	2.9	4.1	2.8	6.9	13.9
Custer	100.0	42.5	11.9	3.2	1.8	3.8	5.4	31.4
Daniels	100.0	54.5	11.9	1.7	2.0	3.8	8.5	17.6
Dawson	100.0	36.5	17.1	2.4	3.2	11.3	9.4	20.0
Deer Lodge	100.0	44.9	11.1	2.2	2.9	7.3	8.4	23.2
Fallon	100.0	48.2	15.6	1.8	2.2	2.5	15.6	14.1
Fergus	100.0	55.8	13.5	4.2	2.8	2.8	6.4	14.4
Flathead	100.0	54.3	11.1	5.5	1.4	4.0	9.1	14.5
Gallatin	100.0	48.6	11.8	1.9	4.2	4.9	6.6	21.9
Garfield	100.0	44.2	19.0	1.8	7.7	2.9	11.7	12.8
Glacier	100.0	52.0	9.4	4.2	4.3	5.7	7.4	17.0
Golden Valley	100.0	60.8	16.1	1.1	1.5	1.8	12.5	6.2
Granite	100.0	50.4	14.8	1.6	11.9	4.1	7.8	9.4
Hill	100.0	52.3	11.7	1.5	2.5	3.2	6.8	21.9
Jefferson	100.0	59.2	15.1	2.5	2.1	4.4	6.7	10.1
Judith Basin	100.0	63.7	15.5	2.7	2.7	1.6	6.8	7.0
Lake	100.0	73.5	8.3	2.0	2.1	1.9	3.6	8.7
Lewis and Clark	100.0	49.6	9.8	2.8	2.9	4.9	8.3	21.7
Liberty	100.0	44.0	20.5	0.8	9.9	1.9	8.4	14.5
Lincoln	100.0	62.9	14.0	3.1	2.0	3.3	6.3	8.3
McCone	100.0	56.8	15.3	2.5	4.7	1.4	9.9	9.5
Madison	100.0	64.0	14.0	3.4	3.3	2.2	7.3	5.9
Meagher	100.0	48.1	17.6	3.6	1.8	4.2	11.9	12.8
Mineral	100.0	65.6	7.4	3.7	4.1	2.3	8.6	8.4
Missoula	100.0	55.8	10.3	4.0	2.9	5.1	6.9	15.1
Musselshell	100.0	61.7	8.3	4.0	3.7	3.1	9.9	9.3
Park	100.0	45.1	14.9	3.4	2.3	6.8	5.7	21.9
Petroleum	100.0	45.6	13.6	1.6	0.8	0.8	15.2	22.4
Phillips	100.0	50.3	12.3	3.1	2.6	2.3	9.6	19.8
Pondera	100.0	46.0	16.4	3.7	3.8	2.6	6.5	21.0
Powder River	100.0	53.6	15.5	2.5	2.2	2.5	12.6	11.1
Powell	100.0	51.6	16.9	3.3	3.0	4.1	7.5	13.6
Prairie	100.0	37.9	10.9	4.7	1.8	2.9	8.8	33.0
Ravalli	100.0	69.5	12.5	4.8	1.9	2.5	4.0	4.8
Richland	100.0	53.3	7.8	3.5	2.2	2.7	6.2	24.4
Roosevelt	100.0	61.9	9.6	1.9	4.2	3.7	5.9	12.9
Rosebud	100.0	50.4	9.5	7.3	3.0	3.0	11.0	15.8
Sanders	100.0	56.2	10.9	5.6	8.9	2.0	5.1	11.3
Sheridan	100.0	64.0	10.4	2.5	2.7	1.9	5.9	12.6
Silver Bow	100.0	42.8	9.0	8.0	3.3	7.0	7.8	22.2
Stillwater	100.0	58.5	15.5	2.7	1.7	4.1	8.5	9.2
Sweet Grass	100.0	45.1	18.0	5.4	0.6	4.7	16.1	10.1
Teton	100.0	44.8	13.7	4.4	0.8	3.6	5.8	26.9
Toole	100.0	46.7	13.7	1.5	11.0	3.5	6.4	17.2
Treasure	100.0	53.6	11.0	1.9	1.0	2.4	12.4	17.7
Valley	100.0	55.7	10.9	2.4	3.1	3.8	6.4	17.8
Wheatland	100.0	61.7	11.5	2.8	4.1	2.8	9.2	7.9
Wibaux	100.0	51.9	18.4	2.3	1.9	3.4	10.9	11.3
Yellowstone	100.0	41.1	7.6	2.6	2.0	4.7	5.3	36.6
State Average	100.0	49.7	10.8	3.6	3.2	4.0	6.8	21.8
Nine County Average	100.0	45.9	9.7	4.1	3.0	5.0	6.7	25.8

Source: 1957 Census of Governments, Vol. 6, No. 24, Table 36 (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

Table 5.8 clearly shows the wide variation in emphasis placed on the various functions of government among the county areas. Of course, the emphasis is not entirely voluntary. There are other factors, such as population concentration or lack of it; great distances; many miles of roads; high concentration of young and old; and, simply, chance which contributes to the high variation in the proportion of expenditures used for various purposes.

Table 5.9 shows per capita direct current general expenditures in total and by functions of government of all local units in the fifty-six county areas for 1957. Per capita total current expense for all county areas was $125.86 in 1957. This total was comprised of expenditures of $62.62 for education, $13.65 for highways, $4.49 for public welfare, $3.98 for health and hospitals, $5.08 for police protection and correction, $8.52 for general government, and $27.52 for all other general functions of government, including parks, natural resources, interest on general debt, libraries, housing and urban renewal, and other general expenditures. The Golden Valley County area had the highest per capita direct current general expense amounting to $227.50 per person in the county in 1957. This per capita expense in Golden Valley County was over $100.00 above the state average per capita direct current general expense in 1957. The Deer Lodge County area had the lowest per capita general expense of all fifty-six county areas in 1957, spending only $77.29 per person. The Deer Lodge County expense per capita was $48.57 below the state average and $150.21 per person below the expense in Golden Valley County. The differences in the high-and low-county areas, and the differences between these areas and the state average, demonstrate the wide disparity in public service levels by local units of government from one county area to the next. It is obvious that either the residents of Golden Valley County were getting, by far, superior services from local government than were their counterparts in Deer Lodge County, or that local government was grossly inefficient in Golden Valley County, or perhaps both. Likewise, the residents of Deer Lodge County were either receiving very inferior services, or local government in Deer Lodge County was extremely efficient, or perhaps both factors were operating.

Some explanation for this wide disparity in per capita expenditure may be found in differences in demographic factors such as the proportion of old people and young people in the population. Also, the levels of income in the two county areas could have had an impact on the quantity and quality of public services demanded in the two counties. And, of course, Deer Lodge County is more densely populated than is Golden Valley County, and as population density increases, per capita expenditures generally become less. However, these factors cannot explain all the differences in expenditures, and we must conclude that there were real differences in the quality of services provided by the counties.

The fifty-six counties' average per capita education expenditure was $62.62 in 1957. Again, Golden Valley County was high with an expenditure of $138.33 per capita, but it was closely followed by Lake County and Beaverhead County. Deer Lodge County was again low with a per capita

TABLE 5.9

Direct Current General Expenditure Per Capita by County and by Function of Government in 1957 of All Local Units of Government

County Area	Direct Current General Expenditure	Education	Highways	Public Welfare	Health & Hospitals	Police & Correction	General Control	Other
				(Dollars[1])				
Beaverhead	195.07	133.04	20.87	5.94	4.35	6.38	10.58	13.91
Big Horn	132.61	82.50	10.45	4.20	4.66	1.36	7.73	21.71
Blaine	170.25	93.67	20.51	4.81	8.73	4.43	9.75	20.35
Broadwater	151.20	82.80	15.20	5.60	3.60	6.80	17.60	19.60
Carbon	156.31	100.95	18.33	7.38	2.38	3.57	10.48	13.22
Carter	170.87	96.96	20.00	4.78	6.52	6.52	20.43	15.66
Cascade	115.56	47.02	11.74	6.22	5.49	5.41	6.51	33.17
Chouteau	156.38	83.75	24.88	4.50	6.38	4.38	10.75	21.74
Custer	142.74	60.68	16.92	4.53	2.56	5.47	7.78	44.80
Daniels	157.37	85.79	18.68	2.63	3.16	6.05	13.42	27.64
Dawson	102.74	37.52	17.52	2.48	3.33	11.62	9.66	20.61
Deer Lodge	77.29	34.72	8.60	1.68	2.24	5.61	6.54	17.90
Fallon	158.42	76.32	24.74	2.89	3.42	3.95	24.74	22.36
Fergus	134.10	74.82	18.06	5.68	3.81	3.81	8.56	19.36
Flathead	111.75	60.73	12.42	6.18	1.60	4.46	10.15	16.21
Gallatin	106.96	51.98	12.67	2.06	4.53	5.22	7.04	23.46
Garfield	137.00	60.50	26.00	2.50	10.50	4.00	16.00	17.50
Glacier	133.03	69.17	12.57	5.60	5.69	7.52	9.91	22.57
Golden Valley	227.50	138.33	36.67	2.50	3.33	4.17	28.33	14.17
Granite	147.88	74.55	21.82	2.42	17.58	6.06	11.52	13.93
Hill	122.37	64.01	14.35	1.81	3.11	3.95	8.36	26.78
Jefferson	127.80	75.61	19.27	3.17	2.68	5.61	8.54	12.92
Judith Basin	191.26	121.78	29.58	5.16	5.16	3.10	13.07	13.42
Lake	185.85	136.53	15.34	3.64	3.98	3.56	6.69	16.11
Lewis & Clark	106.28	52.70	10.38	3.00	3.07	5.22	8.84	23.07
Liberty	164.48	72.41	33.79	1.38	16.21	3.10	13.79	23.80
Lincoln	119.92	75.45	16.83	3.74	2.36	3.98	7.56	10.00
McCone	151.76	86.18	23.24	3.82	7.06	2.06	15.00	14.40
Madison	130.36	83.40	18.21	4.46	4.29	2.86	9.46	7.68
Meagher	128.85	61.92	22.69	4.62	2.31	5.38	15.38	16.55
Mineral	177.24	116.21	13.10	6.55	7.24	4.14	15.17	14.83
Missoula	86.28	48.17	8.86	3.44	2.47	4.41	5.94	12.99
Musselshell	132.24	81.63	11.02	5.31	4.90	4.08	13.06	12.24
Park	97.21	43.80	14.50	3.33	2.25	6.60	5.50	21.23
Petroleum	138.89	63.33	18.89	2.22	1.11	1.11	21.11	31.12
Phillips	195.00	98.15	23.89	6.11	5.00	4.44	18.70	38.71
Pondera	151.62	69.73	24.86	5.54	5.81	3.92	9.86	31.90
Powder River	106.75	57.22	16.51	2.69	2.30	2.69	13.44	11.90
Powell	107.97	55.68	18.24	3.51	3.24	4.46	8.11	14.73
Prairie	154.00	58.40	16.80	7.20	2.80	4.40	13.60	50.80
Ravalli	123.24	85.61	15.44	5.96	2.28	3.07	4.91	5.97
Richland	138.83	73.98	10.78	4.85	3.01	3.79	8.54	33.88
Roosevelt	150.89	93.39	14.52	2.82	5.65	5.56	8.87	20.08
Rosebud	144.71	72.94	13.68	10.59	4.41	4.41	15.88	22.80
Sanders	163.17	91.71	17.80	9.15	14.51	3.29	8.29	18.42
Sheridan	144.22	92.25	15.07	3.66	3.94	2.68	8.45	18.17
Silver Bow	78.98	33.78	7.11	6.33	2.60	5.50	6.12	17.54
Stillwater	147.86	86.43	22.86	3.93	2.50	6.07	12.50	13.57
Sweet Grass	102.26	46.13	18.39	5.48	.65	4.84	16.45	10.32
Teton	169.86	76.06	23.24	7.47	1.41	6.20	9.86	45.62
Toole	169.88	79.40	23.21	2.50	18.69	5.95	10.95	29.18
Treasure	174.17	93.33	19.17	3.33	1.67	4.17	21.67	30.83
Valley	156.69	87.20	17.03	3.73	4.83	4.83	10.00	29.07
Wheatland	135.17	83.45	15.52	3.79	5.52	3.79	12.41	10.69
Wibaux	166.25	86.25	30.62	3.75	3.12	5.62	18.12	18.77
Yellowstone	128.66	52.96	9.80	3.39	2.56	6.01	6.84	47.10
State Average	125.86	62.62	13.65	4.49	3.98	5.08	8.52	27.52

Source: 1957 Census of Governments, Vol. VI, No. 24, Table 36 (U.S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding.

TABLE 5.9--Continued

County Area	Direct Current General Expenditure	Education	Highways	Public Welfare	Health & Hospitals	Police & Correction	General Control	Other
				(Dollars^1)				
Deer Lodge (Anaconda)	77.29	34.72	8.60	1.68	2.24	5.61	6.54	17.90
Yellowstone (Billings)	128.66	52.96	9.80	3.39	2.56	6.01	6.84	47.10
Gallatin (Bozeman)	106.96	51.98	12.67	2.06	4.53	5.22	7.04	23.46
Silver Bow (Butte)	78.98	33.78	7.11	6.33	2.60	5.50	6.12	17.54
Cascade (Great Falls)	115.56	47.02	11.74	6.22	5.49	5.41	6.51	33.17
Hill (Havre)	122.37	64.01	14.35	1.81	3.11	3.95	8.36	26.78
Lewis and Clark (Helena)	106.28	52.70	10.38	3.00	3.07	5.22	8.84	23.07
Flathead (Kalispell)	111.75	60.73	12.42	6.18	1.60	4.46	10.15	16.21
Missoula (Missoula)	86.28	48.17	8.86	3.44	2.47	4.41	5.94	12.99
Nine County Average	105.82	48.53	10.27	4.35	3.20	5.27	7.10	27.07
Fifty-six County Average	125.86	62.62	13.65	4.49	3.98	5.08	8.52	27.52
Nine Counties as Percent of Fifty-six County Average	84.1	77.5	75.2	96.9	80.4	103.7	8.3	98.4
Broadwater	151.20	82.80	15.20	5.60	3.60	6.80	17.60	19.60
Carter	170.87	96.96	20.00	4.78	6.52	6.52	20.43	15.66
Daniels	157.37	85.79	18.68	2.63	3.16	6.05	13.42	27.64
Fallon	158.42	76.32	24.74	2.89	3.42	3.95	24.74	22.36
Garfield	137.00	60.50	26.00	2.50	10.50	4.00	16.00	17.50
Golden Valley	227.50	138.33	36.67	2.50	3.33	4.17	28.33	14.17
Granite	147.88	74.55	21.82	2.42	17.58	6.06	11.52	13.93
Jefferson	127.80	75.61	19.27	3.17	2.68	5.61	8.54	12.92
Judith Basin	191.26	121.78	29.58	5.16	5.16	3.10	13.07	13.42
Liberty	164.48	72.41	33.79	1.38	16.21	3.10	13.79	23.80
McCone	151.76	86.18	23.24	3.82	7.06	2.06	15.00	14.40
Meagher	128.85	61.92	22.69	4.62	2.31	5.38	15.38	16.55
Mineral	177.24	116.21	13.10	6.55	7.24	4.14	15.17	14.83
Musselshell	132.24	81.63	11.02	5.31	4.90	4.08	13.06	12.24
Petroleum	138.89	63.33	18.89	2.22	1.11	1.11	21.11	31.12
Powder River	106.75	57.22	16.51	2.69	2.30	2.69	13.44	11.90
Prairie	154.00	58.40	16.80	7.20	2.80	4.40	13.60	50.80
Sweet Grass	102.26	46.13	18.39	5.48	.65	4.84	16.45	10.32
Treasure	174.17	93.33	19.17	3.33	1.67	4.17	21.67	30.83
Wheatland	135.17	83.45	15.52	3.79	5.52	3.79	12.41	10.69
Wibaux	166.25	86.25	30.62	3.75	3.12	5.62	18.12	18.77
Twenty-one County Average	148.92	80.68	20.66	3.99	5.56	4.46	15.37	18.21
Fifty-six County Average	125.86	62.62	13.65	4.49	3.98	5.08	8.52	27.52
Twenty-one Counties as Percent of Total	118.3	128.8	151.4	88.9	139.7	87.8	180.4	66.2

education expenditure of $34.72 per person. The foundation program partially equalizes the expenditure per student so that major differences in the expenditure per capita should be primarily due to varying proportions of young people in the population from one county to the next. However, some of the per capita differences can arise through differences in expenditures per student because of voted levies.

Highway (roads and streets) expenditure per capita averaged $13.65 for the fifty-six counties in 1957. Golden Valley County was high with an expenditure of $36.67 per capita, over double the fifty-six county average and five times higher than the lowest expenditure of $7.11 per capita in Silver Bow County.

Public welfare expenditure per capita averaged $4.49 in the fifty-six counties in 1957. Rosebud County spent $10.59 per capita on public welfare programs, the highest among the fifty-six counties. Liberty County spent only $1.38 per capita for public welfare in 1957. Deer Lodge County was the second lowest in expenditure for public welfare in 1957 when it spent only $1.68 per capita for that purpose.

Toole County spent $18.69 per capita for health and hospital services, whereas Petroleum County spent only $1.11 per capita in 1957. State average expenditure in 1957 was $3.98 per capita for health and hospitals.

The Dawson County area spent more per capita for police protection and correction than any other county area in the state. In 1957, the Dawson County area spent $11.62 per capita for police and correction. Petroleum County spent the least on police and correction in 1957 when it spent $1.11 per person. The average expenditure of the fifty-six county areas was $5.08 per capita in 1957.

The state average expenditure for general control and financial administration by local units of government was $8.52 per capita in 1957. The Golden Valley County area spent $28.33 per capita, whereas Park County spent only $5.50 per capita for general control and financial administration.

The nine urban counties spent less per capita in total direct current general expenditure than the fifty-six county average. The nine urban counties exceeded the state average per capita expenditures for police protection and correction. In 1957, police and correction expenditures per capita in the urban counties exceeded the state average by 3.7 percent.

Per capita expenditures of the twenty-one smallest counties exceeded the fifty-six county average in all but three categories--public welfare, police, and other. Per capita direct current expenditures in the twenty-one smallest counties averaged 18.3 percent above the fifty-six county average. Per capita current expense in the twenty-one counties exceeded the state average by 28.8 percent in education, 51.4 percent in highways, 39.7 percent in health and hospitals, 80.4 percent in general control.

The 1967 Data on Expenditures. Table 5.10 corresponds with Table 5.7 except that the data are for fiscal 1967 instead of 1957. All local units of government in Montana made direct current general expenditures of $150.5 million in 1967. Only three county areas spent over $10 million in 1967. The Cascade County area made the largest expenditure in 1967 when it spent $19.2 million. Yellowstone County made expenditures of $18.3 million, and Missoula County spent $10.5 million. Silver Bow County followed closely with a total direct current general expenditure of $9.3 million. These four counties accounted for over one-third (38.0 percent) of the direct current general expenditure of local units of government in Montana in 1967. The smallest amount of current expenditure was made in Petroleum County which spent $0.2 million in 1967. The Golden Valley County and Treasure County areas spent about $0.3 million each in 1967.

Current expenditure on education by the fifty-six county areas was $84.5 million in 1967. The Yellowstone County and Cascade County areas spent nearly the same on education in 1967. Cascade County spent $10.7 million and Yellowstone County spent $10.5 million. These two county areas spent about $4.0 million more than Missoula County, the next largest in terms of current education expenditure. Petroleum County schools spent a little over $0.1 million for current operation purposes in 1967. Treasure County schools spent $0.2 million for current operations in 1967. Petroleum and Treasure Counties spent the least of all fifty-six county areas on direct current education expenditures during 1967.

The fifty-six county areas spent $12.2 million for highway (roads and streets) during fiscal 1967 in Montana. Again, Yellowstone County and Cascade County areas spent the largest amounts, and Petroleum and Treasure Counties spent the least amounts for current road and street purposes. Direct current expense for highways in Petroleum and Treasure Counties was $21,000 and $24,000 respectively in 1967.

In 1967 there were six counties in Montana which spent more than $0.2 million for public welfare purposes. Silver Bow and Missoula Counties spent over $0.5 million, and Yellowstone County spent a little over $0.4 million in 1967 for public welfare. Cascade, Flathead, and Lake Counties spent $376,000, $235,000, and $224,000 respectively for public welfare purposes. Garfield County was lowest in terms of expenditure for public welfare in 1967 when it spent only $2,000. Garfield County was one of six counties spending less that $10,000 for public welfare in 1967.

Current expenses for health and hospital services was $5.8 million in 1967 in the fifty-six county areas. Two county areas spent over $1.0 million for health and hospital services in Montana in 1967. Cascade County was high, spending slightly over $1.2 million, and Silver Bow County was next, spending slightly less. Twelve counties spent $5,000 or less during 1967. Most of the county areas spent less than $0.1 million for health services during the fiscal year 1967.

TABLE 5.10

Total Direct Current General Expenditure by County by Function of Government in 1967 of All Local Units of Government

(Thousands of Dollars[1])

County Area	Direct Current General Expenditures	Education	Highways	Public Welfare	Health & Hospitals	Police & Correction	General Control	Other
Beaverhead	1,650	968	153	56	14	72	122	265
Big Horn	1,609	1,059	89	21	36	57	99	248
Blaine	1,910	1,148	178	16	64	64	102	338
Broadwater	597	366	42	19	7	31	55	77
Carbon	1,734	1,110	186	51	6	53	117	211
Carter	548	296	74	20	Z[2]	20	59	79
Cascade	19,165	10,719	1,222	376	1,229	701	803	4,115
Chouteau	1,820	992	227	30	132	77	118	244
Custer	2,496	1,303	302	32	47	120	109	583
Daniels	937	582	103	31	1	29	65	126
Dawson	2,464	1,471	195	55	14	98	130	501
Deer Lodge	2,257	1,027	187	89	4	133	167	650
Fallon	1,066	549	157	27	23	32	101	177
Fergus	2,866	1,631	289	107	29	101	167	542
Flathead	7,489	4,843	581	235	55	305	362	1,108
Gallatin	5,593	3,168	446	45	63	258	344	1,269
Garfield	593	299	73	2	84	11	46	78
Glacier	2,160	1,380	195	73	7	105	119	281
Golden Valley	286	156	44	6	3	6	34	37
Granite	634	322	64	9	69	32	57	81
Hill	3,947	2,550	344	30	120	114	205	584
Jefferson	860	595	48	37	5	26	74	75
Judith Basin	735	454	93	27	14	20	55	72
Lake	3,229	2,029	298	224	16	94	153	415
Lewis & Clark	6,667	3,725	480	47	316	293	414	1,392
Liberty	814	395	98	39	173	14	53	42
Lincoln	3,124	2,301	285	78	4	123	157	176
McCone	816	517	98	4	24	15	59	99
Madison	1,176	552	105	96	117	29	85	192
Meagher	537	273	45	7	63	15	69	65
Mineral	900	563	71	39	85	28	59	55
Missoula	10,472	6,721	592	462	99	456	491	1,651
Musselshell	812	419	69	137	5	33	82	67
Park	2,299	1,256	243	75	19	119	137	450
Petroleum	223	137	21	6	Z[2]	2	26	31
Phillips	1,526	861	176	28	55	42	84	280
Pondera	1,559	908	199	28	28	62	110	224
Powder River	347	170	50	9	3	14	50	51
Powell	1,394	894	156	27	25	59	90	143
Prairie	623	216	65	20	141	16	50	115
Ravalli	2,342	1,532	192	62	21	59	117	359
Richland	2,338	1,497	173	52	22	77	124	393
Roosevelt	3,163	1,788	232	103	383	89	165	403
Rosebud	1,255	650	138	30	22	49	117	249
Sanders	1,794	1,075	185	55	142	65	121	151
Sheridan	1,270	819	106	23	2	56	98	166
Silver Bow	9,348	4,240	560	471	1,182	339	523	2,033
Stillwater	1,126	773	133	22	1	32	70	45
Sweet Grass	732	390	63	85	8	32	51	103
Teton	1,656	873	146	47	15	61	127	387
Toole	1,853	811	182	67	281	78	161	273
Treasure	299	200	24	3	Z[2]	6	24	42
Valley	3,810	2,606	289	94	71	134	169	447
Wheatland	733	477	51	9	1	38	57	100
Wibaux	545	324	63	4	16	23	50	65
Yellowstone	18,336	10,495	1,336	444	475	779	865	3,942
State Total	150,534	87,475	12,216	4,291	5,841	5,796	8,518	26,397

Source: 1967 Census of Governments, Vol. 7, No. 26, Table 32 (U.S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding. The data here exclude capital outlay to avoid distortion due to uneven capital outlay expenditure among counties over time.

[2] Z stands for less than $500.

TABLE 5.10--Continued

County Area	Direct Current General Expenditures	Education	Highways	Public Welfare	Health & Hospitals	Police & Correction	General Control	Other	Population
				(Thousands of Dollars[1])					
Deer Lodge	2,257	1,027	187	89	4	133	167	650	16,200
Yellowstone	18,336	10,495	1,336	444	475	779	865	3,942	80,900
Gallatine	5,593	3,168	446	45	63	258	344	1,269	28,700
Silver Bow	9,348	4,240	560	471	1,182	339	523	2,033	46,300
Cascade	19,165	10,719	1,222	376	1,229	701	803	4,115	80,600
Hill	3,947	2,550	344	30	120	114	205	584	16,100
Lewis and Clark	6,667	3,725	480	47	316	293	414	1,392	32,500
Flathead	7,489	4,843	581	235	55	305	362	1,108	37,500
Missoula	10,472	6,721	592	462	99	456	491	1,651	54,300
Nine County Total	83,274	47,488	5,748	2,199	3,543	3,378	4,174	16,744	393,100
Fifty-six County Total	150,534	87,475	12,216	4,291	5,841	5,796	8,518	26,397	701,700
Nine Counties as Percent of Total	55.3	54.3	47.1	51.2	60.7	58.3	48.7	63.4	56.0
Percent of Total--Nine County	100.0	57.0	6.9	2.6	4.3	4.1	5.0	20.1	-------
Broadwater	597	366	42	19	7	31	55	77	2,400
Carter	548	296	74	20	Z[2]	20	59	79	2,200
Daniels	937	582	103	31	1	29	65	126	3,300
Fallon	1,066	549	157	27	23	32	101	177	4,400
Garfield	593	299	73	2	84	11	46	78	1,800
Golden Valley	286	156	44	6	3	6	34	37	1,300
Granite	634	322	64	9	69	32	57	81	2,900
Jefferson	860	595	48	37	5	26	74	75	5,000
Judith Basin	735	454	93	27	14	20	55	72	3,300
Liberty	814	395	98	39	173	14	53	42	2,300
McCone	816	517	98	4	24	15	59	99	3,000
Meagher	537	273	45	7	63	15	69	65	2,400
Mineral	900	563	71	39	85	28	59	55	3,400
Musselshell	812	419	69	137	5	33	82	67	3,700
Petroleum	223	137	21	6	Z[2]	2	26	31	800
Powder River	347	170	50	9	3	14	50	51	2,400
Prairie	623	216	65	20	141	16	50	115	2,100
Sweet Grass	732	390	63	85	8	32	51	103	3,000
Treasure	299	200	24	3	Z[2]	6	24	42	1,200
Wheatland	733	477	51	9	1	38	57	100	2,800
Wibaux	545	324	63	4	16	23	50	65	1,700
Twenty-one County Total	13,637	7,700	1,416	540	725	443	1,176	1,137	55,400
Fifty-six County Total	150,534	87,475	12,216	4,291	5,841	5,796	8,518	26,397	701,700
Twenty-one Counties as Percent of Total	9.1	8.8	11.6	12.6	12.4	7.6	13.8	6.2	79.0
Percent of Total--Twenty-one Counties	100.0	56.5	10.4	4.0	5.3	3.2	8.6	12.0	-----

In 1967, municipal and county units of government spent a total of \$5.8 million for police protection and correction in the fifty-six county areas. Yellowstone County and Cascade County areas spent \$0.8 million and \$0.7 million respectively during fiscal 1967. Silver Bow County spent slightly over \$0.5 million for police protection and correction purposes. The amount of expenditure declines almost in direct relation to population from large to small counties. Petroleum County spent only \$2,000 for police and correction purposes in 1967. The average expenditure per county in 1967 was \$103,000 for police and correction expenditure.

General control and financial administration expenditures by the fifty-six counties was \$8.5 million, or an average of about \$152,000 per county in fiscal 1967. Here again, the total expenditure relates for the most part to the size of the county in terms of population. Accordingly, Yellowstone, Cascade, Silver Bow, Missoula, and Lewis and Clark Counties rank in the top five. However, although the census data reports more people in Treasure County than in Petroleum County, the expenditure is \$24,000 in Treasure County and \$26,000 in Petroleum County.

The nine most urban county areas in the state made 55.3 percent of the direct current general expenditure in 1967. These nine county areas account for over half of the current expenditures for education; public welfare; health and hospitals; police protection and correction; and other general functions of government such as libraries, natural resources, parks and recreation, interest on general debt, and others. These nine counties had 56.0 percent of the population in 1967. They spent 57.0 percent of their total direct current general expenditures for education purposes in 1967.

By contrast, the twenty-one smallest counties spent only 9.1 percent of the total local direct current general expenditures and only 8.8 percent of the total local current expenses for education. The share of state population in these twenty-one counties was 7.9 percent in 1967, but they exceeded that share in expenditures on all functions except police and correction and on other general functions of government. It is obvious that all functions of government except police and correction and other functions cost more in the small counties in relation to their population than in the remaining thirty-five counties.

Table 5.11 shows the percent of direct current general expenditure made up by each of the functions of government in each of the fifty-six county areas in 1967. For all areas combined, education took 58.1 percent of the expenditure, highways used 8.1 percent, public welfare took 2.9 percent, health and hospital expenditure was 3.9 percent of the total, police and correction was 3.8 percent of the total, general government and other made up 5.7 percent and 17.5 percent respectively of total direct current expenditure. Lincoln County spent the highest share of its current expenditure for education, using 73.6 percent for that purpose. Prairie

TABLE 5.11

Current Expenditure by Function as Percent of Direct Current Expenditure by Counties for all Local Units of Government in 1967[1]

County Area	Direct Current General Expenditure	Education	Highways	Public Welfare	Health & Hospitals	Police & Correction	General Government	Other
				(Percent)				
Beaverhead	100.0	58.7	9.3	3.4	0.8	4.4	7.4	16.1
Big Horn	100.0	65.8	5.5	1.3	2.2	3.5	6.1	15.4
Blaine	100.0	60.0	9.3	0.8	3.3	3.3	5.3	17.7
Broadwater	100.0	61.3	7.0	3.2	1.2	5.2	9.2	12.9
Carbon	100.0	63.9	10.7	2.9	0.3	3.1	6.7	12.2
Carter	100.0	54.0	13.5	3.6	---	3.6	10.8	14.4
Cascade	100.0	55.7	6.4	2.0	6.4	3.6	4.2	21.4
Chouteau	100.0	54.5	12.5	1.6	7.2	4.2	6.5	13.4
Custer	100.0	52.1	12.1	1.3	1.9	4.8	4.4	23.3
Daniels	100.0	62.1	11.0	3.3	0.1	3.1	6.9	13.4
Dawson	100.0	59.6	7.9	2.2	0.6	4.0	5.3	20.3
Deer Lodge	100.0	45.5	8.3	3.9	0.2	5.9	7.4	28.8
Fallon	100.0	51.5	14.7	2.5	2.2	3.0	9.5	16.6
Fergus	100.0	56.8	10.1	3.7	1.0	3.5	5.8	18.9
Flathead	100.0	64.4	7.7	3.1	0.7	4.1	4.8	14.7
Gallatin	100.0	56.4	7.9	0.8	1.1	4.6	6.1	22.6
Garfield	100.0	50.4	12.3	0.3	14.2	1.9	7.8	13.2
Glacier	100.0	63.8	9.0	3.4	0.3	4.9	5.5	13.0
Golden Valley	100.0	54.5	15.4	2.1	1.0	2.1	11.9	12.9
Granite	100.0	50.8	10.1	1.4	10.9	5.0	9.0	12.8
Hill	100.0	64.5	8.7	0.8	3.0	2.9	5.2	14.8
Jefferson	100.0	69.1	5.6	4.3	0.6	3.0	8.6	8.7
Judith Basin	100.0	61.7	12.6	3.7	1.9	7.5	5.7	9.8
Lake	100.0	62.7	9.2	6.9	0.5	2.9	4.7	12.8
Lewis and Clark	100.0	55.5	7.2	0.7	4.7	4.4	6.2	20.7
Liberty	100.0	48.5	12.0	4.8	21.2	1.7	6.5	5.2
Lincoln	100.0	73.6	9.1	2.5	0.1	3.9	5.0	5.6
McCone	100.0	63.3	12.0	0.5	2.9	1.8	7.2	12.1
Madison	100.0	46.9	8.9	8.2	9.9	2.5	7.2	16.3
Meagher	100.0	50.8	8.4	1.3	11.7	2.8	12.8	12.1
Mineral	100.0	62.5	7.9	4.3	9.4	3.1	6.6	6.1
Missoula	100.0	63.8	5.6	4.4	0.9	4.3	4.7	15.7
Musselshell	100.0	51.6	8.5	16.9	0.6	4.1	10.1	8.2
Park	100.0	54.5	10.5	3.3	0.8	5.2	5.9	19.5
Petroleum	100.0	61.4	9.4	2.7	Z[2]	0.9	11.7	13.9
Phillips	100.0	56.4	11.5	1.8	3.6	2.8	5.5	18.3
Pondera	100.0	58.2	12.8	1.8	1.8	4.0	7.1	14.4
Powder River	100.0	49.0	14.4	2.6	0.9	4.0	14.4	14.7
Powell	100.0	64.1	11.2	1.9	1.8	4.2	6.5	10.3
Prairie	100.0	34.7	10.4	3.2	22.6	2.6	8.0	18.5
Ravalli	100.0	65.3	8.2	2.6	0.9	2.5	5.0	15.3
Richland	100.0	63.9	7.4	2.2	0.9	3.3	5.3	16.8
Roosevelt	100.0	56.5	7.3	3.3	12.1	2.8	5.2	12.7
Rosebud	100.0	51.7	11.0	2.4	1.8	3.9	9.3	19.8
Sanders	100.0	59.9	10.3	3.1	7.9	3.6	6.7	8.4
Sheridan	100.0	64.5	8.3	1.8	0.2	4.4	7.7	13.1
Silver Bow	100.0	44.9	5.9	5.0	12.5	3.6	5.5	21.5
Stillwater	100.0	68.6	11.8	2.0	0.9	2.8	6.2	8.4
Sweet Grass	100.0	53.3	8.6	11.6	1.1	4.4	7.0	14.1
Teton	100.0	52.6	8.8	2.8	0.9	3.7	7.7	23.3
Toole	100.0	43.7	9.8	3.6	15.1	4.2	8.7	14.7
Treasure	100.0	66.9	8.0	1.0	---	2.0	8.0	14.0
Valley	100.0	68.3	7.6	2.5	1.9	3.5	4.4	11.7
Wheatland	100.0	65.1	7.0	1.2	0.1	5.2	7.8	13.6
Wibaux	100.0	59.4	11.6	0.7	2.9	4.2	9.2	11.9
Yellowstone	100.0	56.7	7.2	2.4	2.6	4.2	4.7	21.3
State Average	100.0	58.1	8.1	2.9	3.9	3.8	5.7	17.5

Source: 1967 Census of Governments, Vol. 7, No. 26, Table 32 (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

2. Z stands for less than $500.

County spent only 34.7 percent of its total for education in 1967. Golden Valley County spent 15.4 percent of its direct current expense on roads in 1967, the highest proportion spent on roads in any county area in the state. Musselshell County spent 16.9 percent of its direct current expense for public welfare purposes in 1967. This share in Musselshell County exceed the fifty-six county share by 14.0 percent. The share of current expenses for health and hospitals was highest in Prairie County, which used 22.6 percent of its direct current expense for that purpose. Treasure and Carter Counties spent less than $500 each for health and hospitals, and these expenditures made up a negligible share of the total in each county. Deer Lodge County devoted the highest share of its current expenditures to police and correction expenditures, whereas Petroleum County devoted the smallest share of its expenses to that function. Cascade and Valley Counties had respectively the lowest and highest shares of direct current expenses devoted to general control and financial administration in 1967.

Per capita direct current general expenditure in total and by function of government for 1967 for all fifty-six county areas are shown in Table 5.12. Per capita total current expense for all county areas in 1967 was $214.53. This total was comprised of per capita current expenditures of $124.66 for education, $17.41 for highways, $6.12 for public welfare, $8.32 for health and hospitals, $8.26 for police protection and correction, $12.14 for general control and financial administration, and $37.62 for other general functions.

Three county areas spent more than $300.00 per capita on current general expenditures in 1967. The Liberty County area spent $353.79 per capita, the Garfield County area spent $329.35 per capita, and the Wibaux County area spent $320.55 per capita for direct current general expenditures in fiscal 1967. The cost of general government on a current basis is higher than the state average by $138.84 per person in Liberty County, by $114.40 per person in Garfield County, and by $105.60 per person in Wibaux County. There were seven county areas in Montana which had per capita direct current general expenditures of less than half the per capita cost in Liberty County in 1967. In other words, there were seven counties in the state that spent less than half as much per person than the amount spent in Liberty County. The lowest per capita expenditure in a county area in the state was made in Big Horn County, which spent $138.69. The Big Horn County area spent $215.10 less per person than Liberty County and $75.84 per person less than the average per capita expenditure of all fifty-six county areas. Recall that the disparity between the highest and lowest county areas in terms of per capita direct current expenditure was $150.21 per person in 1957. In 1967, ten years later, the widest disparity between the highest and lowest counties had grown to $215.10. The counties involved in the two periods are different, but in spite of that difference disparities in per capita expenditures for current operations of general government functions are widening, not becoming smaller.

There are unique circumstances in both Big Horn and Liberty Counties. Big Horn County's population is roughly 30 percent Indian, a large share

TABLE 5.12

Direct Current General Expenditure Per Capita by County and by Function of Government in 1967 of All Local Units of Government

(Dollars[1])

County Area	Direct Current General Expenditure	Education	Highways	Public Welfare	Health & Hospitals	Police & Correction	General Control	Other
Beaverhead	211.54	124.08	19.60	7.19	1.85	9.28	15.73	33.81
Big Horn	138.69	91.26	7.69	1.80	3.09	6.30	8.52	20.03
Blaine	251.36	151.06	23.42	2.16	8.33	8.41	13.48	44.50
Broadwater	248.91	152.47	17.55	8.05	2.90	12.53	22.72	32.69
Carbon	225.19	144.12	24.13	6.56	.80	6.86	15.31	27.41
Carter	249.16	134.68	33.61	9.07	.19	9.27	26.99	35.35
Cascade	237.78	132.99	15.16	4.67	15.24	8.70	9.96	51.06
Chouteau	267.71	145.83	33.42	4.35	19.34	12.84	17.36	34.57
Custer	198.07	103.44	23.95	2.57	3.69	9.55	8.66	46.21
Daniels	283.96	176.39	31.17	9.36	.28	8.58	19.72	38.46
Dawson	219.19	131.34	17.44	4.94	1.27	8.78	11.57	43.85
Deer Lodge	139.34	63.37	11.55	5.50	3.85	8.21	10.29	36.57
Fallon	242.38	124.79	35.69	6.03	5.31	7.17	22.95	40.44
Fergus	213.90	121.74	21.54	7.99	2.15	7.49	12.41	40.58
Flathead	199.71	129.15	15.48	6.25	1.47	8.11	9.66	29.59
Gallatin	194.90	110.37	15.54	1.57	2.20	9.00	11.99	44.23
Garfield	329.35	166.09	40.71	.99	46.56	6.05	25.59	43.36
Glacier	175.64	112.20	15.85	5.97	.59	8.48	9.66	22.89
Golden Valley	220.19	119.96	33.82	4.38	2.66	4.87	26.84	27.66
Granite	218.54	111.12	22.09	3.10	23.64	11.14	19.72	27.73
Hill	245.12	158.39	21.36	1.85	7.42	7.11	12.77	36.22
Jefferson	171.92	119.05	9.53	7.33	1.01	5.25	14.67	15.08
Judith Basin	222.86	137.43	28.20	8.07	4.18	5.78	16.62	22.58
Lake	227.41	142.87	20.99	15.79	1.15	6.60	10.73	29.28
Lewis & Clark	205.13	114.60	14.76	1.44	9.72	9.00	12.73	42.88
Liberty	353.79	171.60	42.41	16.79	75.25	6.06	23.20	18.48
Lincoln	218.49	160.88	19.93	5.45	.26	8.62	11.02	12.33
McCone	271.93	172.35	32.65	1.26	8.05	5.09	19.70	32.83
Madison	209.91	98.50	18.77	17.19	20.89	5.11	15.07	34.38
Meagher	223.93	113.79	18.88	2.93	26.05	5.96	28.90	27.42
Mineral	264.59	165.54	20.74	11.36	25.00	8.28	17.29	16.38
Missoula	192.86	123.78	10.90	8.51	1.82	8.40	9.04	30.41
Musselshell	219.44	113.27	18.72	36.98	1.44	9.10	22.20	17.73
Park	193.21	105.54	20.39	6.34	1.59	10.05	11.47	37.83
Petroleum	278.63	171.80	25.63	7.59	.38	2.71	32.68	37.84
Phillips	277.37	156.53	32.05	5.06	9.94	7.56	15.22	51.01
Pondera	216.52	126.10	27.71	3.88	3.96	8.57	15.37	30.93
Powder River	144.61	70.68	20.95	3.58	1.06	6.03	20.98	21.33
Powell	188.31	120.80	21.13	3.60	3.40	8.03	12.15	19.20
Prairie	296.52	102.71	31.03	9.60	66.97	7.64	23.58	54.99
Ravalli	166.10	108.64	13.63	4.39	1.47	4.15	8.27	25.55
Richland	220.60	141.25	16.32	4.92	2.11	7.25	11.66	37.09
Roosevelt	261.39	147.75	19.16	8.48	31.66	7.36	13.60	33.38
Rosebud	199.14	103.14	21.91	4.80	3.54	7.70	18.51	39.54
Sanders	263.79	158.14	27.16	8.10	20.84	9.52	17.79	22.24
Sheridan	208.24	134.20	17.34	3.78	.38	9.10	16.07	27.37
Silver Bow	201.90	91.59	12.10	10.17	25.54	7.33	11.29	43.88
Stillwater	234.50	160.99	27.75	4.55	.19	6.74	14.71	19.57
Sweet Grass	243.96	129.90	21.10	28.39	2.46	10.79	17.18	34.14
Teton	262.87	138.60	23.24	7.51	2.31	9.98	20.09	61.14
Toole	272.52	119.26	26.75	9.91	41.44	11.56	23.64	39.96
Treasure	248.90	166.74	20.38	2.77	.08	4.70	20.61	33.62
Valley	171.63	117.40	13.00	4.25	3.18	6.04	7.61	20.15
Wheatland	261.81	170.24	18.31	3.21	.53	13.62	20.32	35.58
Wibaux	320.55	190.34	37.06	2.08	8.98	13.10	29.21	39.78
Yellowstone	226.65	129.73	16.51	5.48	5.88	9.64	10.70	48.71
State Average	214.53	124.66	17.41	6.12	8.32	8.26	12.14	37.62

Source: 1967 Census of Governments, Vol. 7, No. 26, Table 32 (U.S. Dept. of Commerce, Bureau of the Census).

[1] Detail may not add to totals due to rounding.

TABLE 5.12--Continued

County Area	Direct Current General Expenditure	Education	Highways	Public Welfare	Health & Hospitals	Police & Correction	General Control	Other
				(Dollars[1])				
Deer Lodge	139.34	63.37	11.55	5.50	3.85	8.21	10.29	36.57
Yellowstone	226.65	129.73	16.51	5.48	5.88	9.64	10.70	48.71
Gallatin	194.90	110.37	15.54	1.57	2.20	9.00	11.99	44.23
Silver Bow	201.90	91.59	12.10	10.17	25.54	7.33	11.29	43.88
Cascade	237.78	132.99	15.16	4.67	15.24	8.70	9.96	51.06
Hill	245.12	158.39	21.36	1.85	7.42	7.11	12.77	36.22
Lewis and Clark	205.13	114.60	14.76	1.44	9.72	9.00	12.73	42.88
Flathead	199.71	129.15	15.48	6.25	1.47	8.11	9.66	29.59
Missoula	192.86	123.78	10.90	8.51	1.82	8.40	9.04	30.41
Nine County Average	211.84	120.80	14.62	5.59	9.01	8.59	10.62	42.59
Fifty-six County Average	214.53	124.66	17.41	6.12	8.32	8.26	12.14	37.62
Nine Counties as Percent of Total	98.7	96.9	83.9	91.3	108.2	103.9	87.4	113.2
Broadwater	248.91	152.47	17.55	8.05	2.90	12.53	22.72	32.69
Carter	249.16	134.68	33.61	9.07	.19	9.27	26.99	35.35
Daniels	283.96	176.39	31.17	9.36	.28	8.58	19.72	38.46
Fallon	242.38	124.79	35.69	6.03	5.31	7.17	22.95	40.44
Garfield	329.35	166.09	40.71	.99	46.56	6.05	25.59	43.36
Golden Valley	220.19	119.96	33.82	4.38	2.66	4.87	26.84	27.66
Granite	218.54	111.12	22.09	3.10	23.64	11.14	19.72	27.73
Jefferson	171.92	119.05	9.53	7.33	1.01	5.25	14.67	15.08
Judith Basin	222.86	137.43	28.20	8.07	4.18	5.78	16.62	22.58
Liberty	353.79	171.60	42.41	16.79	75.25	6.06	23.20	18.48
McCone	271.93	172.35	32.65	1.26	8.05	5.09	19.70	32.83
Meagher	223.93	113.79	18.88	2.93	26.05	5.96	28.90	27.42
Mineral	264.59	165.54	20.74	11.36	25.00	8.28	17.29	16.38
Musselshell	219.44	113.27	18.72	36.98	1.44	9.10	22.20	17.73
Petroleum	278.63	171.80	25.63	7.59	.38	2.71	32.68	37.84
Powder River	144.61	70.68	20.95	3.58	1.06	6.03	20.98	21.33
Prairie	296.52	102.71	31.03	9.60	66.97	7.64	23.58	54.99
Sweet Grass	243.96	129.90	21.10	28.39	2.46	10.79	17.18	34.14
Treasure	248.90	166.74	20.38	2.77	.08	4.70	20.61	33.62
Wheatland	261.81	170.24	18.31	3.21	.53	13.62	20.32	35.58
Wibaux	320.55	190.34	37.06	2.08	8.98	13.10	29.21	39.78
Twenty-one County Average	246.16	138.99	25.56	9.74	13.09	8.00	21.23	29.55
Fifty-six County Average	214.53	124.66	17.41	6.12	8.32	8.26	12.14	37.62
Twenty-one Counties as Percent of Total	114.7	111.5	146.6	159.2	157.1	96.7	174.8	78.5
Percent of Total--Twenty-two Counties	100.0	56.5	10.4	4.0	5.3	3.2	8.6	12.0

of which is associated with the Crow Indian Reservation. Also, nearly three-fourths of Big Horn County's land area is owned by state and federal governments. In 1966 per capita personal income in Big Horn County ranked forty-third among the fifty-six counties. Big Horn County is the second largest county in Montana in land area. The two municipalities in Big Horn County contain 27.57 miles of streets and alleys and there are 1,419.18 rural road miles in the county. The average number of students belonging in the Big Horn County school systems in fiscal 1966-67 was 2,706.

Liberty County had only 2,300 people in 1966 and it ranked second among the fifty-six counties in per capita personal income. Roughly only 14 percent of the land in Liberty County is owned by government. Liberty County ranks forty-ninth among the fifty-six counties in land area. Chester has 10.51 miles of streets and alleys and there are 1,255.44 miles of rural roads in Liberty County. In fiscal 1966-67 there were 206 average number of students belonging in the two high schools in Liberty County and 530 average number of students belonging in the grade schools. In fiscal 1967, the county government in Liberty County employed sixty-two full-time equivalent employees, twenty more than were employed in Big Horn County.

These differences between the counties contribute to the difference in per capita direct current general expenditure in the two counties. However, it is interesting to note that highway expenditure per mile of road in Liberty County was 24.1 percent above that in Big Horn County in 1967. Also, current education expenditure per average number of students belonging was 37.1 percent higher in Liberty County than it was in Big Horn County in fiscal 1967.

Comparison of Liberty County with Big Horn County is not entirely valid because of the massive infusion of federal funds for Indian education and welfare. During fiscal 1967, the Department of Interior spent $2.6 million for Indian education in Big Horn County, and the Department of Health, Education, and Welfare spent $233,640 for school assistance for federally impacted areas and $2.9 million for welfare and medical related programs in the county. Thus, the low-service levels of local government indicated by per capita direct current expenditures understate the funds spent for general functions of government in Big Horn County.

Deer Lodge County, however, is a county which is not heavily populated with Indians, and, consequently, there is not a massive expenditure of funds by the federal government directly. In this case, Deer Lodge County is more directly comparable with Liberty County, although there is a large parochial school population in Deer Lodge County. In 1967, Deer Lodge County's direct current general expenditures per capita was $139.34, only $.65 per person greater than in Big Horn County and $214.45 less than in Liberty County. Thus, Deer Lodge County local units of government spent $214.45 less per person than the local units in Liberty County.

Deer Lodge County had 16,200 people in 1966. It ranked forty-fifth among the fifty-six counties in per capita personal income in 1966. Nearly one-half of the land area in Deer Lodge County is owned by the state and federal governments. Deer Lodge County ranks fifty-fifth among the fifty-six counties in land area. The county government in Deer Lodge County employed forty-five full-time equivalent employees, seventeen less than were employed by the Liberty County government. Anaconda has 31.60 miles of streets and alleys and there are 330.05 miles of rural road in Deer Lodge County, for a total of 361.65 miles of roads, streets, and alleys. There were 1,940 average number of students belonging in the elementary school and 847 average number of students belonging in the high school in Deer Lodge County, for a total of 2,787 average number of students belonging in 1966-67. Highway expenditure per mile was $.052 in Deer Lodge County and $.077 in Liberty County. Road and street expenditures per mile in Liberty County were 48.0 percent greater than in Deer Lodge County in 1967. Also, current education expenditure per average number of students belonging was 45.6 percent higher in Liberty County than in Deer Lodge County.

It is clear that while some of the disparities between Liberty and Deer Lodge Counties can be explained by economic and demographic features, there remains a considerable gap between the two county areas in the quantity and quality of public services provided by local units of government.

There are many differences in per capita direct current general expenditure which could be analyzed in detail, as has been done in Liberty, Deer Lodge, and Big Horn Counties. These counties were used as examples to point out the meaning of the differences in per capita expenditures among the fifty-six county areas.

The fifty-six county average per capita education expenditure was $124.53 in 1967. Wibaux County was high, with an expenditure of $190.34 per capita. The lowest per capita expenditure on education was in Powder River County which spent $70.68 per capita in 1967.

Highway expenditures per capita averaged $17.41 for the fifty-six county areas in 1967. The highest expenditure per capita was $42.41 in Liberty County, followed closely by Wibaux County at $37.06 per capita. The lowest expenditure per capita was $7.69 in Powder River County.

Liberty County spent $16.79 per capita, and Lake County spent $15.97 per capita for public welfare purposes in 1967. In contrast with these two highest counties, Garfield County spent only $.99 per capita, and Big Horn County spent $1.80 per capita for public welfare purposes. The fifty-six county average public welfare expenditure per capita was $6.12.

Health and hospital expenditures per capita are the most highly variable among the county areas. The range of health and hospital expenditures per capita is from $.08 in Treasure County to $75.25 in Liberty County. The wide variation may be explained, in part, by the fact that health facilities and service centers are developing which serve broad areas, eliminating the requirement for each small county, and each small community within each county, to have a hospital with a staff. The fifty-six county average per capita expenditure for health and hospitals was $8.32 in 1967.

Police protection and correction expenditures per capita averaged $8.26 for the fifty-six county areas in 1967. Per capita expenditures in two counties exceeded $13.00 in 1967. Wheatland County spent $13.62, and Wibaux County spent $13.10 per person in 1967. Madison County spent the least per capita for police and correction in 1967 when it spent $5.11 per person for that purpose.

The fifty-six county areas averaged $12.14 per capita for general control and financial administration in 1967. Valley County spent the least for this function on a per capita basis of any county area in the state in 1967. The $5.11 per capita expenditure in Valley County was less than half of the state average. Petroleum County spent the highest amount, $32.68 per capita for general control and financial administration.

The nine most urban counties made direct current general expenditures of $211.84 per capita, which was 98.7 percent of the fifty-six county average. The nine counties exceed the state average in health and hospitals expenditure, police and correction expenditure, and other general government functions expenditure, including local parks and recreation, libraries, interest on general debt, housing and urban renewal, and others.

The twenty-one smallest counties spent on the average $246.16 per capita for total direct current general expenditure, which was $31.63 per capita above the fifty-six county average and 114.7 percent of the fifty-six county average per capita expenditure. Per capita expenditure in the twenty-one smallest counties exceed the fifty-six county average in all but two functions--police protection and correction and other general government functions. It is interesting to note that per capita expenditures for public welfare, health and hospitals, and general control in the twenty-one smallest counties exceeded the fifty-six county average by over fifty percent in 1967.

It is clear from this analysis that the small counties in Montana spend more per capita than do the large counties and all counties combined. They spend more per capita for education because of smaller and less efficient schools. They spend more per capita for highways because there are more miles of road per person in the sparsely populated counties. They spend more for public welfare because they must maintain roughly the same administrative and assistance unit, regardless of population size. They spend more for health and hospitals per capita because it is difficult to have part of a doctor and part of a hospital and hospital staff and only part of a piece of diagnostic equipment. They spend more per capita for general control and financial administration because most (nearly all) the county units have the basic general government administrative machinery allowed by state law regardless of population to be served.

Growth in Expenditures 1957-67. Table 5.13 was prepared to show the average annual rates of growth in per capita direct current general expenditure of local units of government in the fifty-six counties. The average annual growth in the per capita direct current general expenditure of the fifty-six counties from 1957 to 1967 was 5.5 percent per year. There is a wide variation in growth rates among the counties. Golden Valley County experienced a decline of about 0.3 percent per year from 1957 to 1967. Silver Bow County local units increased per capita general expenses at 9.8 percent per year from 1957 to 1967. Sweet Grass and Missoula Counties follow, with growth rates of 9.1 percent and 8.4 percent per year during the ten-year period.

In spite of the fact that Silver Bow's population declined from 59,600 in 1957 to 46,300 in 1967, or by 13,300 people, total direct current general expenditure increased by $4.6 million during the same period. Thus, Silver Bow County experienced the highest rate of growth in expenditures of any county area in the state. Table 5.13 also contains the percentage point differences of each county growth rate from the state average growth rate. Golden Valley County expenditures per capita grew at 5.8 percentage points below the state average (note the actual decline). Big Horn County expenditures grew at 5.0 percentage points below the state average from 1957 to 1967. Silver Bow County expenditures grew 4.3 percentage points more per year than the state average, for obvious reasons.

Table 5.14 shows in summary form the relation of urban and small county grouping to the state average by function of government. It also shows the growth rates for each county grouping for each function of government between 1957 and 1967. For each county grouping, Table 5.14 shows per capita expenditure for each function and the percent that each per capita expenditure figure is of the per capita expenditure of the fifty-six county areas.

The table contains much of the same data contained in earlier tables but it summarizes that data for those who would like a convenient reference to urban and small county comparisons.

Per Capita General Debt and Capital Outlay. Table 5.15 shows per capita general debt in 1957 and 1967 by county areas and the change in per capita debt from 1957 to 1967. Per capita capital outlay in 1957 and 1967, and the change in per capita capital outlay from 1957 to 1967 is also shown in Table 5.15.

Per capita general debt increased on the average of $47.72 in the fifty-six county units from 1957 to 1967. This increase was 31.5 percent from 1957 to 1967. Twenty-five county areas experienced decreases in per capita debt from 1957 to 1967. The remaining thirty-one county areas increased per capita debt during the ten years.

Teton County stands out with a per capita debt of $1,231.82 in 1967, the highest in the state. Most of this debt in Teton County was incurred to establish the Greenfield Irrigation Project. The debt outstanding on that project at the end of fiscal 1967 was $7,007,000. It

TABLE 5.13

Average Annual Growth in Per Capita Direct General Expenditure and Percent Difference Between Each County and the State Average

Counties	Average Annual Growth 1957-67	Difference from State Average	Counties	Average Annual Growth 1957-67	Difference from State Average
Beaverhead	0.8	-4.7	Meagher	5.7	+0.2
Big Horn	0.5	-5.0	Mineral	4.1	-1.4
Blaine	4.0	-1.5	Missoula	8.4	+2.9
Broadwater	5.1	-0.4	Musselshell	5.2	-0.3
Carbon	3.7	-1.8	Park	7.1	+1.6
Carter	3.8	-1.7	Petroleum	7.2	+1.7
Cascade	7.5	+2.0	Phillips	3.6	-1.9
Chouteau	5.5	0.0	Pondera	3.6	-1.9
Custer	3.3	-2.2	Powder River	3.1	-2.4
Daniels	6.1	+0.6	Powell	5.7	+0.2
Dawson	7.9	+2.4	Prairie	6.8	+1.3
Deer Lodge	6.1	+0.6	Ravalli	3.0	-2.5
Fallon	4.3	-1.2	Richland	4.7	-0.8
Fergus	4.8	-0.7	Roosevelt	5.7	+0.2
Flathead	6.0	+0.5	Rosebud	3.2	-2.3
Gallatin	6.2	+0.7	Sanders	4.9	-0.6
Garfield	9.2	+3.7	Sheridan	3.7	-1.8
Glacier	2.8	-2.7	Silver Bow	9.8	+4.3
Golden Valley	-0.3	-5.8	Stillwater	4.7	-0.8
Granite	4.0	-1.5	Sweet Grass	9.1	+3.6
Hill	7.2	+1.7	Teton	4.5	-1.0
Jefferson	3.0	-2.5	Toole	4.8	-0.7
Judith Basin	1.5	-4.0	Treasure	3.6	-1.9
Lake	2.0	-3.5	Valley	0.9	-4.6
Lewis and Clark	6.8	+1.3	Wheatland	6.8	+1.3
Liberty	8.0	+2.5	Wibaux	6.8	+1.3
Lincoln	6.2	+0.7	Yellowstone	6.6	+1.1
McCone	6.0	+0.5			
Madison	4.9	-0.6	State Average	5.5	0.0

Source: Montana Fiscal Affairs Study.

TABLE 5.14

Comparison of Per Capita Direct Current General Expenditures by Functions and by Urban and Small County Groupings with the State Average in 1957 and 1967 and Growth Rates from 1957 to 1967.[1]

	Direct General Expenditures	Education	Highways	Public Welfare	Health & Hospitals	Police Correction	General Control	Other
			Per Capita Expenditure 1957					
Nine Urban Counties	122.77	56.31	11.92	5.06	3.71	6.12	8.23	31.42
Percent of State Average	97.50	89.90	87.30	112.70	93.20	120.50	96.60	114.20
Twenty-one Smallest Counties	148.92	80.68	20.66	3.99	5.56	4.46	15.37	18.21
Percent of State Average	118.30	128.80	151.40	88.90	139.70	87.80	180.40	66.20
Fifty-six County Average	125.86	62.62	13.65	4.49	3.98	5.08	8.52	27.52
State Average	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
			Per Capita Expenditure 1967					
Nine Urban Counties	211.84	120.80	14.62	5.59	9.01	8.59	10.62	42.59
Percent of State Average	98.60	96.80	83.90	91.30	108.20	103.90	84.70	113.10
Twenty-one Smallest Counties	246.16	138.99	25.56	9.74	13.09	8.00	21.23	29.55
Percent of State Average	114.70	111.50	146.60	159.20	151.10	96.70	174.80	78.50
Fifty-six County Average	214.53	124.66	17.41	6.12	8.32	8.26	12.14	37.62
State Average	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
		Annual Growth in Per Capita Expenditures 1957 to 1967						
Nine County Average	5.6	8.0	2.1	1.0	9.3	3.4	2.6	3.1
Twenty-one County Average	5.1	5.6	2.2	9.3	2.7	6.0	3.3	4.9
Fifty-six County Average	5.5	7.1	2.5	3.1	7.7	5.0	3.6	3.2

Source: Census of Governments, 1957 and 1966-67 (U.S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding.

TABLE 5.15

Per Capita General Debt and Capital Outlay of Local Units of Government by County Areas for 1957 and 1967

(Dollars)

County Area	Per Capita General Debt 1957	Per Capita General Debt 1967	Change in Per Capita General Debt 1957-67	Per Capita General Capital Outlay 1957	Per Capita General Capital Outlay 1967	Change in Per Capita General Capital Outlay 1957-67
Beaverhead	70.70	454.36	+383.66	15.41	54.69	+ 39.28
Big Horn	94.92	96.28	+ 1.36	15.48	11.92	- 3.56
Blaine	176.27	80.01	- 96.26	11.09	14.13	+ 3.04
Broadwater	65.20	304.77	+239.57	18.40	50.01	+ 31.61
Carbon	90.32	143.08	+ 52.76	19.52	35.06	+ 15.54
Carter	11.11	93.75	+ 82.64	7.64	73.75	+ 66.11
Cascade	194.35	231.77	+ 37.42	84.59	55.73	- 28.86
Chouteau	237.25	119.79	-117.46	77.25	21.28	- 55.97
Custer	202.30	114.95	- 87.35	21.42	23.18	+ 1.76
Daniels	118.09	226.99	+108.90	39.71	15.32	- 24.39
Dawson	75.40	155.39	+ 79.99	24.57	7.73	- 16.84
Deer Lodge	107.78	56.35	- 51.43	1.79	14.58	+ 12.79
Fallon	104.67	137.49	+ 32.82	13.94	24.26	+ 10.32
Fergus	56.94	157.58	+100.64	9.51	27.17	+ 17.66
Flathead	73.80	189.12	+115.32	11.22	53.02	+ 41.80
Gallatin	92.12	247.00	+154.88	48.30	28.16	- 20.14
Garfield	87.00	124.26	+ 37.26	4.50	104.92	+100.42
Glacier	156.52	130.23	- 26.29	23.30	43.66	+ 20.36
Golden Valley	------	27.77	+ 27.77	14.16	18.10	+ 3.94
Granite	162.11	59.24	-102.87	69.08	18.43	- 50.65
Hill	147.34	198.65	+ 51.31	25.65	32.42	+ 6.77
Jefferson	113.48	64.23	- 49.25	15.07	30.72	+ 15.65
Judith Basin	14.79	61.75	+ 46.96	21.33	19.84	- 1.49
Lake	76.86	56.58	- 20.28	5.80	16.27	+ 10.47
Lewis and Clark	120.70	249.56	+128.86	14.45	75.88	+ 61.43
Liberty	109.05	223.10	+114.05	18.92	39.21	+ 20.29
Lincoln	54.03	136.74	+ 82.71	16.69	28.94	+ 12.25
McCone	170.52	132.34	- 38.18	30.58	24.29	- 6.29
Madison	72.27	401.69	+329.42	8.19	45.13	+ 36.94
Meagher	216.58	117.15	- 99.43	163.97	28.77	-135.20
Mineral	177.85	150.35	- 27.50	38.87	12.27	- 26.60
Missoula	121.78	190.35	+ 68.57	34.42	52.08	+ 17.66
Musselshell	109.96	116.08	+ 6.12	14.08	25.29	+ 11.21
Park	62.22	256.88	+194.66	5.70	105.35	+ 99.65
Petroleum	45.55	22.50	- 23.05	16.67	11.83	- 4.84
Phillips	704.11	550.52	-153.59	20.72	5.73	- 14.99
Pondera	115.70	96.35	- 19.35	52.65	26.09	- 26.56
Powder River	22.66	24.22	+ 1.56	18.05	29.91	+ 11.86
Powell	85.59	99.86	+ 14.27	21.60	9.60	- 12.00
Prairie	718.80	266.85	-451.95	21.60	22.72	+ 1.12
Ravalli	63.25	155.93	+ 92.68	13.14	28.53	+ 15.39
Richland	294.69	212.63	- 82.06	12.51	13.00	+ .49
Roosevelt	113.76	278.78	+165.02	20.08	30.19	+ 10.11
Rosebud	89.82	73.14	- 16.68	14.41	22.13	+ 7.72
Sanders	90.51	52.72	- 37.79	8.95	22.72	+ 13.77
Sheridan	98.14	92.75	- 5.39	32.34	27.67	+ 4.67
Silver Bow	103.39	172.06	+ 68.67	27.01	54.74	+ 27.73
Stillwater	58.74	53.32	- 5.42	46.61	17.46	- 29.15
Sweet Grass	55.06	114.00	+ 58.94	13.85	16.09	+ 2.24
Teton	1,253.42	1,231.82	- 21.60	35.70	22.06	- 13.64
Toole	172.07	96.83	- 75.24	62.48	38.75	- 23.73
Treasure	98.29	18.75	- 79.54	22.49	46.23	+ 23.74
Valley	307.36	147.15	-160.21	19.91	12.73	- 7.18
Wheatland	25.80	19.16	- 6.64	14.45	14.98	+ .53
Wibaux	40.63	323.53	+282.90	6.25	18.47	+ 12.22
Yellowstone	198.61	262.36	+ 63.75	50.87	74.05	+ 23.18
State Average	151.42	199.14	+ 47.72	33.67	43.33	+ 9.66

Source: Census of Governments, 1957, 1966, and 1967 (U.S. Dept. of Commerce, Bureau of the Census).

is financed solely through current user charges for operation and maintenance and special assessments on the basis of user benefit from the project. No property tax is levied to finance the project: Revenue bonds were used instead.

Per capita capital outlay of the local units of government in the fifty-six county areas increased from $33.67 in 1957 to $43.33 in 1967, an increase of $9.66. Capital outlay expenditures increased by 28.7 percent during the ten-year period. Capital outlay expenditures are generally made in large amounts because of construction of a school, hospital, road, or some other facility. Hence, it is difficult to select an average year. The years 1957 and 1967 have no particular meaning, except that we have data for these years. In any case, the presentation of capital outlay expenditures per capita rounds out the general expenditure of local units of government. The addition of general capital outlay per capita to per capita direct current general expenditure data in Tables 5.9 and 5.12 in each county area would yield total direct general expenditure of all units of government within each county area.

General Revenue of Local Units of Government

The same approach has been used in compiling and analyzing the available revenue data of local units of government in Montana as was used for the expenditure analysis. The data refer to the combined units of local government within each county area. Our analysis is done first for fiscal 1957 and then for fiscal 1967. Growth in total general revenue is analyzed, and a summary of per capita revenue by source for urban and small counties in relation to the fifty-six counties is presented.

The 1957 Revenue Data. In fiscal 1957, all local units of government combined in Montana received $100.5 million in general revenue (see Table 5.16). Yellowstone County collected $11.1 million in 1957, the largest amount of general revenue collected in any of the fifty-six counties. Cascade County followed closely, collecting $10.3 million in 1957. The smallest amount collected in any county in the state in 1957 was in Petroleum which collected $177,000. The simple average of total general revenue of the fifty-six county areas in 1957 was $1.8 million.

Revenue from the state to local units of government (primarily school district) in 1957 amounted to $13.8 million. Yellowstone County topped the list, receiving $1.2 million, followed by Cascade County with $10.3 million. The smallest amount received by any county area was in Petroleum which received $16,000 from the state. It should be remembered that some of the revenue from the state originates with the federal government and flows through the state government, becoming state-to-local aid. In 1957, less than 10 percent of state-to-local aid originated with the federal government. The average state-to-local payment in 1957

TABLE 5.16

Total General Revenue by Sources for the Fifty-six County Areas in Fiscal 1957

(Thousands of Dollars[1])

County Area	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue
Beaverhead	1,510	232	4	1,274	1,194	1,139	55	79
Big Horn	1,393	222	19	1,152	1,020	958	61	131
Blaine	1,467	298	--	1,169	1,012	962	49	156
Broadwater	529	44	--	485	446	426	20	38
Carbon	1,447	238	--	1,209	1,122	1,062	60	85
Carter	672	126	--	546	537	510	27	8
Cascade	10,258	1,028	20	9,210	7,128	6,640	487	2,082
Chouteau	1,639	168	7	1,464	1,308	1,243	64	156
Custer	1,994	239	1	1,754	1,423	1,323	99	331
Daniels	680	111	--	569	527	493	34	41
Dawson	1,341	178	1	1,162	1,030	934	96	130
Deer Lodge	2,210	207	17	1,986	1,689	1,568	120	296
Fallon	660	97	--	563	547	519	27	16
Fergus	2,081	305	--	1,776	1,558	1,448	110	217
Flathead	4,047	757	11	3,279	2,718	2,472	246	559
Gallatin	3,197	436	28	2,733	2,392	2,210	182	339
Garfield	355	56	--	299	281	267	13	17
Glacier	1,904	298	8	1,598	1,531	1,458	72	65
Golden Valley	310	38	--	272	255	245	9	16
Granite	670	116	1	553	473	451	22	79
Hill	2,730	285	17	2,428	1,973	1,832	140	454
Jefferson	645	90	--	555	536	511	25	18
Judith Basin	702	52	6	644	608	583	25	35
Lake	1,897	484	55	1,358	1,242	1,167	75	114
Lewis & Clark	3,622	398	18	3,206	2,781	2,569	211	424
Liberty	637	54	14	569	497	472	25	70
Lincoln	1,836	591	15	1,230	1,177	1,107	70	52
McCone	712	87	--	625	583	580	2	41
Madison	864	162	--	702	656	624	32	45
Meagher	398	29	--	369	358	342	15	10
Mineral	647	160	--	487	449	430	19	36
Missoula	4,907	815	29	4,063	3,575	3,228	347	486
Musselshell	836	134	--	702	612	580	32	88
Park	1,484	240	12	1,232	1,135	1,032	103	96
Petroleum	177	16	--	161	136	130	6	24
Phillips	1,271	166	3	1,102	842	771	70	259
Pondera	1,358	205	66	1,087	1,011	955	56	74
Powder River	383	65	1	317	297	270	26	19
Powell	1,116	132	--	984	931	872	58	52
Prairie	528	37	--	491	352	338	14	138
Ravalli	1,583	377	13	1,193	993	909	84	199
Richland	1,926	311	1	1,614	1,166	1,104	61	447
Roosevelt	2,138	324	93	1,721	1,494	1,422	72	227
Rosebud	1,227	141	87	999	800	794	6	197
Sanders	1,570	305	30	1,235	999	933	66	235
Sheridan	1,288	177	--	1,111	998	949	49	113
Silver Bow	6,091	557	47	5,487	4,830	4,516	313	656
Stillwater	1,060	152	34	874	819	784	35	54
Sweet Grass	519	57	--	462	444	422	22	18
Teton	1,703	178	--	1,525	1,096	1,027	68	428
Toole	1,783	206	1	1,576	1,335	1,273	61	240
Treasure	316	47	--	269	233	233	10	35
Valley	2,162	306	204	1,652	1,506	1,380	125	144
Wheatland	570	50	--	520	487	467	20	32
Wibaux	323	31	--	292	285	272	13	6
Yellowstone	11,108	1,211	112	9,785	7,900	7,270	630	1,883
State Total	100,481	13,826	975	85,681	73,327	68,466	4,839	12,290

Source: 1957 Census of Governments, Vol. 6, No. 24, Table 36 (U.S. Dept. of Commerce, Bureau of the Census).

[1] Details may not add to totals due to rounding. Individual data on revenue in county areas contains rounding errors which are magnified in the state total. The totals here do not necessarily correspond precisely with those in Table 23 of the 1957 Census of Governments.

TABLE 5.16--Continued

County Area	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue	Population
					(Thousands of Dollars[1])				
Deer Lodge	2,210	207	17	1,986	1,689	1,568	120	296	21,400
Yellowstone	11,108	1,211	112	9,785	7,900	7,270	630	1,883	75,700
Gallatin	3,197	436	28	2,733	2,392	2,210	182	339	24,700
Silver Bow	6,091	557	47	5,487	4,830	4,516	313	656	59,600
Cascade	10,258	1,028	20	9,210	7,128	6,640	487	2,082	71,100
Hill	2,730	285	17	2,428	1,973	1,832	140	454	17,700
Lewis and Clark	3,622	398	18	3,206	2,781	2,569	211	424	29,300
Flathead	4,047	757	11	3,279	2,718	2,472	246	559	34,300
Missoula	4,907	815	29	4,063	3,575	3,228	347	486	46,500
Nine County Total	48,170	5,694	299	42,177	34,986	32,305	2,676	7,179	380,300
Fifty-six County Total	100,481	13,826	975	85,681	73,327	68,466	4,839	12,290	678,000
Nine Counties as Percent of Total	47.9	41.2	30.7	49.2	47.7	47.2	55.3	58.4	56.1
Percent of Total--Nine County	100.0	11.8	.6	87.6	72.6	67.1	5.6	14.9	-------
Broadwater	529	44	----	485	446	426	20	38	2,500
Carter	672	126	----	546	537	510	27	8	2,300
Daniels	680	111	----	569	527	493	34	41	3,800
Fallon	660	97	----	563	547	519	27	16	3,800
Garfield	355	56	----	299	281	267	13	17	2,000
Golden Valley	310	38	----	272	255	245	9	16	1,200
Granite	670	116	1	553	473	451	22	79	3,300
Jefferson	645	90	----	555	536	511	25	18	4,100
Judith Basin	702	52	6	644	608	583	25	35	2,900
Liberty	637	54	14	569	497	472	25	70	2,900
McCone	712	87	----	625	583	580	2	41	3,400
Meagher	398	29	----	369	358	342	15	10	2,600
Mineral	647	160	----	487	449	430	19	36	2,900
Musselshell	836	134	----	702	612	580	32	88	4,900
Petroleum	177	16	----	161	136	130	6	24	900
Powder River	383	65	1	317	297	270	26	19	2,600
Prairie	528	37	----	491	352	338	14	138	2,500
Sweet Grass	519	57	----	462	444	422	22	18	3,100
Treasure	316	47	----	269	233	223	10	35	1,200
Wheatland	570	50	----	520	487	467	20	32	2,900
Wibaux	323	31	----	292	285	272	13	6	1,600
Twenty-one County Total	11,269	1,497	22	9,750	8,943	8,531	406	785	57,400
Fifty-six County Total	100,481	13,826	975	85,681	73,327	68,466	4,839	12,290	678,000
Twenty-one Counties as Percent of Total	11.2	10.8	2.3	11.4	12.2	12.5	8.4	6.4	8.5
Percent of Total--Twenty-one Counties	100.0	13.3	.2	86.5	79.4	75.7	3.6	7.0	-----

was $247,000 per county area, with substantial variation among the fifty-six county areas.

Revenue to local government units directly from the federal government was only $975,000 in 1957. It should be noted that these funds are given to local units of government and become part of local budgets as opposed to direct federal spending in a county area. Valley County units of local government received the largest amount from the federal government. In 1957 Valley County received $204,000. Twenty-four county areas received no aid through local units of government in 1957.

Total revenue from local sources is denoted by the Bureau of the Census as own revenue of local units of government, and consists of property and other taxes and charges and miscellaneous revenue. Own revenue of local units in 1957 was $85.7 million, composed of $73.3 million in taxes and $12.3 million in charges and miscellaneous revenue. In 1957, property taxes were $68.5 million in the fifty-six county areas for local government purposes.

Total general revenue of the nine most urban counties was $48.2 million in 1957. These nine county areas accounted for 47.9 percent of total local general revenue of the fifty-six county areas in 1957. Nearly one-half (49.2 percent) of local own revenue of all local units in Montana was collected by the nine most urban counties. This was primarily because of heavier use of other taxes, such as license taxes and charges, such as parking meters. The nine urban counties received only 41.2 percent of the aid from the state and 30.7 percent of the aid from the federal government. The nine urban counties collected 47.2 percent of the property taxes for local purposes of the fifty-six county areas in 1957.

The twenty-one smallest county areas which contained 8.5 percent of the state's population collected $11.3 million in general revenue in 1957, 11.2 percent of the fifty-six county area total. These small counties received 10.8 percent of the state aid and 2.3 percent of the federal aid. They collected 12.5 percent of the property taxes collected by local units in the state.

Table 5.17 shows the percent that each source of local general revenue makes up of the total in each county area and for the fifty-six county areas as a whole. In aggregate, county areas relied on property taxes for 68.1 percent of their revenue. The nine urban counties relied on the property tax for 67.1 percent of their revenue, but the twenty-one smallest counties used the property tax for 75.7 percent of their revenue in 1957. The twenty-one smallest counties relied on charges and miscellaneous revenue for only 7.0 percent of their revenue, less than half the reliance on that source by the urban and remaining county areas. The role of the property tax in local general revenue systems was highly variable. For example, Meagher County relied on the property tax for nearly 86 percent of its local general revenue, but Richland County relied on the property tax

TABLE 5.17

Percent of Total General Revenue of Sources for 1957[1]

County Area	Total General Revenue	Intergovernmental Revenue	Total Revenue Local Sources	Total Taxes	Property Taxes	Charges and Miscellaneous Revenue
			(Percent)			
Beaverhead	100.0	15.63	84.37	79.07	75.43	5.23
Big Horn	100.0	17.30	82.70	73.22	68.77	9.40
Blaine	100.0	20.31	79.69	68.98	65.58	10.63
Broadwater	100.0	8.32	91.68	84.31	80.53	7.18
Carbon	100.0	16.45	83.55	77.54	73.39	5.87
Carter	100.0	18.75	81.25	79.91	75.89	1.19
Cascade	100.0	10.21	89.78	69.49	64.73	20.30
Chouteau	100.0	10.68	89.32	79.80	75.84	9.52
Custer	100.0	12.04	87.96	71.36	66.35	16.60
Daniels	100.0	16.32	83.68	77.50	72.50	6.03
Dawson	100.0	13.35	86.65	76.81	69.65	9.69
Deer Lodge	100.0	10.14	89.86	76.43	70.95	13.39
Fallon	100.0	14.70	85.30	82.88	78.64	2.42
Fergus	100.0	14.66	85.34	74.87	69.58	10.43
Flathead	100.0	8.55	91.45	67.16	61.08	13.81
Gallatin	100.0	14.51	85.49	74.82	69.13	10.60
Garfield	100.0	15.77	84.23	79.15	75.21	4.79
Glacier	100.0	16.07	83.93	80.41	76.58	3.41
Golden Valley	100.0	12.26	87.74	82.26	79.03	5.16
Granite	100.0	17.48	82.54	70.60	67.31	11.79
Hill	100.0	11.06	88.94	72.27	67.11	16.63
Jefferson	100.0	13.95	86.05	83.10	79.22	2.79
Judith Basin	100.0	8.26	91.74	86.61	83.05	4.99
Lake	100.0	28.41	71.59	65.47	61.52	6.01
Lewis and Clark	100.0	11.71	88.51	76.78	70.93	11.49
Liberty	100.0	10.68	89.32	78.02	74.10	10.99
Lincoln	100.0	33.01	66.99	64.11	60.29	2.83
McCone	100.0	12.22	87.78	81.88	81.46	5.76
Madison	100.0	18.75	81.25	75.93	72.22	5.21
Meagher	100.0	7.29	92.71	89.95	85.93	2.51
Mineral	100.0	24.73	75.27	69.40	66.46	5.56
Missoula	100.0	17.20	82.80	72.86	65.78	9.90
Musselshell	100.0	16.03	83.97	73.21	69.38	10.53
Park	100.0	16.98	83.02	76.48	69.54	6.47
Petroleum	100.0	9.04	90.96	76.84	73.45	1.36
Phillips	100.0	13.30	86.70	66.25	60.66	20.38
Pondera	100.0	19.96	80.04	74.45	70.32	54.50
Powder River	100.0	17.23	82.77	77.55	70.50	4.96
Powell	100.0	11.83	88.17	83.42	78.56	4.66
Prairie	100.0	7.01	92.99	66.67	64.02	26.14
Ravalli	100.0	24.64	75.36	62.73	57.42	12.57
Richland	100.0	16.20	83.80	60.54	57.32	23.21
Roosevelt	100.0	19.50	80.50	69.88	66.51	10.62
Rosebud	100.0	18.58	81.42	65.20	64.71	16.06
Sanders	100.0	21.34	78.66	63.63	59.43	14.97
Sheridan	100.0	13.74	86.26	77.48	73.68	8.77
Silver Bow	100.0	9.92	90.08	79.30	74.14	10.77
Stillwater	100.0	17.55	82.45	77.26	73.96	5.09
Sweet Grass	100.0	10.98	89.02	85.55	81.31	3.47
Teton	100.0	10.45	89.55	64.36	60.31	25.13
Toole	100.0	11.61	88.39	74.87	71.40	13.46
Treasure	100.0	14.87	85.13	73.73	70.57	11.08
Valley	100.0	23.59	76.41	69.66	63.83	6.66
Wheatland	100.0	8.77	91.23	85.44	81.93	5.61
Wibaux	100.0	9.60	90.40	88.24	84.21	18.58
Yellowstone	100.0	11.91	88.09	71.12	65.45	16.95
State Total	100.0	14.73	85.27	72.98	68.14	12.23

Source: 1957 Census of Governments, Vol. 7, No. 26, Table 36 (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

for only 57 percent of its general revenue. The role of intergovernmental revenue was also highly variable among the county areas in 1957. In 1957 the Lincoln County area relied on intergovernmental revenue for one-third of its general revenue, whereas the Prairie County area relied on intergovernmental revenue for only 7 percent of its local general revenue.

Table 5.18 was prepared to show local revenue magnitudes in per capita terms in 1957. Per capita total general revenue of the fifty-six county areas in 1957 was $148.20. In the nine urban areas, per capita general revenue was $126.64 but in the twenty-one smallest counties it was $196.32. Per capita general revenue in the twenty-one smallest county areas was 32.5 percent above the fifty-six county average and 55.0 percent above the nine urban county average. More striking is that per capita property taxes in the twenty-one smallest county areas was 47.2 percent above the fifty-six county area average and 75.0 percent higher than the nine urban county area average.

Before a conclusion can be drawn about this surprising phenomenon, careful investigation of property tax bases per capita will have to be made. High property taxes per capita in the twenty-one smallest counties is undoubtedly a reflection of the large amount of property value per capita indicating a high level of tax capacity. This aspect of local finance will be investigated subsequently in this chapter.

In 1957 the Missoula County area had the lowest per capita property taxes of the fifty-six county areas when it collected $69.42 per person. Carter County area local units collected $221.74 per person in property taxes in 1957. The Carter County area had per capita property taxes 219.4 percent higher than the Missoula County area in 1957.

The 1967 Revenue Data. In fiscal 1967 local units of government in Montana collected $185.9 in general revenue. Cascade County units surpassed Yellowstone County units during the period from 1957 to 1967 (see Table 5.19). Local units in Cascade County collected nearly $24.0 million in fiscal 1967, and the Yellowstone County local units collected $22.0 million in the same year. Local units of government in Petroleum County received the least amount of revenue in 1967, collecting only $239,000. The fifty-six county average collections of general revenue in fiscal 1967 was $3.3 million. The variation among county units was from less than 10 percent of the average to over seven times the fifty-six county average in 1967.

State aid to local units of government, still primarily to school districts, had grown to $33.2 million by 1967, up from $13.8 million in 1957. Cascade County and Yellowstone County local units led the rest of the county local units by receiving about $4.3 million each from the state government in the form of aid. Wibaux County local units received only $29,000 in state aid in fiscal 1967. The fifty-six county average of state aid to local units was $593,000 in fiscal 1967.

TABLE 5.18

Per Capita General Revenue in Total and by Source for 1957[1]

County Area	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue
				(Dollars)				
Beaverhead	218.84	33.62	.58	184.64	173.04	165.07	7.97	11.45
Big Horn	158.30	25.23	2.16	130.91	115.91	108.86	6.93	14.89
Blaine	185.70	37.72	-----	147.97	128.10	121.77	6.20	19.75
Broadwater	211.60	17.60	-----	194.00	178.40	170.40	8.00	15.20
Carbon	172.26	28.33	-----	143.93	133.57	126.43	7.14	10.12
Carter	292.17	54.78	-----	237.39	233.48	221.74	11.74	3.48
Cascade	144.28	14.46	.28	129.54	100.25	93.39	6.85	29.28
Chouteau	204.88	21.00	.88	183.00	163.50	155.38	8.00	19.50
Custer	170.43	20.43	.08	149.91	121.62	113.08	8.46	28.29
Daniels	178.95	29.21	-----	149.74	138.68	129.74	8.95	10.79
Dawson	114.62	15.21	.09	99.32	88.03	79.83	8.20	11.11
Deer Lodge	103.27	9.67	.79	92.80	78.93	73.27	5.61	13.83
Fallon	173.68	25.53	-----	148.16	143.95	136.58	7.10	4.21
Fergus	149.71	21.94	-----	127.77	112.09	104.17	7.91	15.61
Flathead	117.99	22.07	.32	95.60	79.24	72.07	7.17	16.30
Gallatin	129.43	17.65	1.13	110.65	96.84	89.47	7.37	13.72
Garfield	177.50	28.00	-----	149.50	140.50	133.50	6.50	8.50
Glacier	174.68	27.34	.73	146.61	140.46	133.76	6.61	5.96
Golden Valley	258.33	31.67	-----	226.67	212.50	204.17	7.50	1.33
Granite	203.03	35.15	.30	167.58	143.33	136.66	6.67	23.94
Hill	154.24	16.10	.96	137.18	111.47	103.50	7.91	25.65
Jefferson	157.32	21.95	-----	135.36	130.73	124.63	6.10	4.39
Judith Basin	242.07	17.93	2.07	222.07	209.66	201.03	8.62	12.07
Lake	160.76	41.02	4.66	115.08	105.25	98.90	6.36	9.66
Lewis & Clark	123.62	13.58	.61	109.42	94.91	87.68	7.20	14.47
Liberty	219.66	18.62	4.83	196.21	171.38	162.76	8.62	24.14
Lincoln	149.27	48.05	1.22	100.00	95.69	90.00	5.69	4.23
McCone	209.41	25.59	-----	183.82	171.47	170.59	.59	12.06
Madison	154.29	28.93	-----	125.36	117.14	111.43	5.71	8.04
Meagher	153.08	11.15	-----	141.92	137.69	131.54	5.77	3.85
Mineral	223.10	55.17	-----	167.93	154.83	148.28	6.55	12.41
Missoula	105.53	17.53	.62	87.38	76.88	69.42	7.46	10.45
Musselshell	170.61	27.35	-----	143.27	124.90	118.37	6.53	17.96
Park	115.04	18.60	.93	95.50	87.98	80.00	7.98	7.44
Petroleum	196.67	17.78	-----	178.89	151.11	144.44	6.67	26.67
Phillips	235.37	30.74	.56	204.07	155.93	142.78	12.96	47.96
Pondera	183.51	27.70	8.92	146.89	136.62	129.05	7.57	10.00
Powder River	147.31	25.00	.38	121.92	114.23	103.85	10.00	7.31
Powell	150.81	17.84	-----	132.97	125.81	117.84	7.84	7.03
Prairie	211.20	14.80	-----	196.40	140.80	135.20	5.60	55.20
Ravalli	138.86	33.07	1.14	104.65	87.11	79.74	7.37	17.46
Richland	186.99	30.19	.10	156.70	113.20	107.18	5.92	43.40
Roosevelt	172.42	26.13	7.02	138.79	120.48	114.68	5.81	18.31
Rosebud	180.44	20.74	12.79	146.91	117.65	116.76	.88	28.97
Sanders	191.46	37.20	3.66	150.61	121.83	113.78	8.05	28.66
Sheridan	181.41	24.93	-----	156.48	140.56	133.66	6.90	15.92
Silver Bow	102.20	9.34	.79	92.06	81.04	75.78	5.25	11.01
Stillwater	189.29	27.14	6.07	156.07	146.25	140.00	6.25	9.64
Sweet Grass	167.42	18.39	-----	149.03	143.23	136.13	7.10	5.81
Teton	239.86	25.07	-----	214.79	154.37	144.65	9.58	60.28
Toole	212.26	24.52	.12	187.62	158.93	151.55	7.26	28.57
Treasure	263.33	39.17	-----	224.17	194.17	185.83	8.33	29.17
Valley	183.22	25.93	17.29	140.00	127.63	116.95	10.59	12.20
Wheatland	196.55	17.24	-----	179.31	167.93	161.03	6.90	11.03
Wibaux	201.88	19.38	-----	182.50	178.13	170.00	8.12	3.75
Yellowstone	146.74	16.00	1.48	129.26	104.36	96.04	8.32	24.87
State Average	148.20	20.39	1.44	126.37	108.15	100.98	7.14	18.12

Source: 1957 Census of Governments, Vol. 7, No. 26, Table 36 (U.S. Dept. of Commerce,Bureau of the Census).

Computed from previous table.

[1] Details may not add to totals due to rounding.

TABLE 5.18--Continued

County Area	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue
					(Dollars)			
Deer Lodge	103.27	9.67	.79	92.80	78.93	73.27	5.61	13.83
Yellowstone	146.74	16.00	1.48	129.26	104.36	96.04	8.32	24.87
Gallatin	129.43	17.65	1.13	110.65	96.84	89.47	7.37	13.72
Silver Bow	102.20	9.34	.79	92.06	81.04	75.78	5.25	11.01
Cascade	144.28	14.46	.28	129.54	100.25	93.39	6.85	29.28
Hill	154.24	16.10	.96	137.18	111.47	103.50	7.91	25.65
Lewis and Clark	123.62	13.58	.61	109.42	94.91	87.68	7.20	14.47
Flathead	117.99	22.07	.32	95.60	79.24	72.07	7.17	16.30
Missoula	105.53	17.53	.62	87.38	76.88	69.42	7.46	10.45
Nine County Average	126.64	14.97	.78	110.09	91.98	84.93	7.04	18.87
Fifty-six County Average	148.20	20.39	1.44	126.37	108.15	100.98	7.14	18.12
Nine Counties as Percent of Fifty-six Counties	85.5	73.4	54.2	87.1	85.0	84.1	98.6	104.1
Broadwater	211.60	17.60	----	194.00	178.40	170.40	8.00	15.20
Carter	292.17	54.78	----	237.39	233.48	221.74	11.74	3.48
Daniels	178.95	29.21	----	149.74	138.68	129.74	8.95	10.79
Fallon	173.68	25.53	----	148.16	143.95	136.58	7.10	4.21
Garfield	177.50	28.00	----	149.50	140.50	133.50	6.50	8.50
Golden Valley	258.33	31.67	----	226.67	212.50	204.17	7.50	1.33
Granite	203.03	35.15	.30	167.58	143.33	136.66	6.67	23.94
Jefferson	157.32	21.95	----	135.36	130.73	124.63	6.10	4.39
Judith Basin	242.07	17.93	2.07	222.07	209.66	201.03	8.62	12.07
Liberty	219.66	18.62	4.83	196.21	171.38	162.76	8.62	24.14
McCone	209.41	25.59	----	183.82	171.47	170.59	.59	12.06
Meagher	153.08	11.15	----	141.92	137.69	131.54	5.77	3.85
Mineral	223.10	55.17	----	167.93	154.83	148.28	6.55	12.41
Musselshell	170.61	27.35	----	143.27	124.90	118.37	6.53	17.96
Petroleum	196.67	17.78	----	178.89	151.11	144.44	6.67	26.67
Powder River	147.31	25.00	.38	121.92	114.23	103.85	10.00	7.31
Prairie	211.20	14.80	----	196.40	140.80	135.20	5.60	55.20
Sweet Grass	167.42	18.39	----	149.03	143.23	136.13	7.10	5.81
Treasure	263.33	39.17	----	224.17	194.17	185.83	8.33	29.17
Wheatland	196.55	17.24	----	179.31	167.93	161.03	6.90	11.03
Wibaux	201.88	19.38	----	182.50	178.13	170.00	8.12	3.75
Twenty-one County Average	196.32	26.08	.38	169.86	155.80	148.62	7.07	13.68
Fifty-six County Average	148.20	20.39	1.44	126.37	108.15	100.98	7.14	18.12
Twenty-one Counties as Percent of Fifty-six Counties	132.5	127.9	26.4	134.4	144.1	47.2	99.0	75.5

TABLE 5.19

Total General Revenue by Source for the Fifty-six County Areas in Fiscal 1967

County Area	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue
				(Thousands of Dollars[1])				
Beaverhead	2,145	172	5	1,967	1,748	1,684	64	220
Big Horn	2,055	582	20	1,453	1,229	1,162	67	225
Blaine	2,145	499	120	1,526	1,328	1,258	70	198
Broadwater	904	148	0	756	678	647	30	79
Carbon	2,151	260	0	1,891	1,578	1,502	76	314
Carter	758	72	0	686	658	640	13	29
Cascade	23,968	4,338	1,210	18,419	13,740	12,725	1,016	4,679
Chouteau	2,340	294	0	2,046	1,782	1,687	94	264
Custer	2,859	491	24	2,344	1,816	1,735	81	529
Daniels	1,157	217	39	900	727	691	37	173
Dawson	3,685	536	2	3,147	2,885	2,792	94	262
Deer Lodge	3,115	350	124	2,641	2,465	2,342	123	175
Fallon	1,499	123	0	1,376	1,179	1,142	37	196
Fergus	3,460	442	15	3,003	2,633	2,599	34	370
Flathead	7,702	2,214	84	5,404	4,506	4,466	40	899
Gallatin	6,553	1,209	3	5,341	3,780	3,567	212	1,562
Garfield	856	109	0	746	607	587	21	139
Glacier	2,901	539	361	2,001	1,694	1,568	126	306
Golden Valley	365	43	0	322	277	267	9	45
Granite	787	90	0	697	560	534	26	137
Hill	4,752	932	204	3,616	2,979	2,822	156	638
Jefferson	1,099	168	0	931	862	831	31	70
Judith Basin	980	99	17	864	749	716	33	115
Lake	3,468	889	61	2,518	2,089	1,978	110	429
Lewis & Clark	8,525	1,663	74	6,787	5,412	5,193	218	1,376
Liberty	1,224	136	0	1,088	876	841	35	212
Lincoln	3,634	1,227	138	2,270	1,948	1,868	80	321
McCone	1,019	87	0	932	844	812	31	88
Madison	1,486	148	0	1,338	1,006	964	42	332
Meagher	805	201	1	603	510	491	19	93
Mineral	994	279	0	716	592	570	22	124
Missoula	11,995	2,333	164	9,498	7,911	7,344	567	1,587
Musselshell	1,066	108	0	958	800	753	46	159
Park	2,761	506	13	2,242	1,900	1,731	169	342
Petroleum	239	34	0	205	166	159	7	39
Phillips	1,822	275	21	1,526	1,255	1,206	49	270
Pondera	2,111	450	80	1,581	1,355	1,345	10	226
Powder River	576	68	11	498	463	436	27	34
Powell	1,958	318	9	1,631	1,426	1,360	66	206
Prairie	796	35	0	761	555	537	19	206
Ravalli	2,849	837	2	2,011	1,754	1,628	127	256
Richland	2,978	545	21	2,412	1,992	1,885	107	420
Roosevelt	3,904	665	176	3,063	2,386	2,310	76	677
Rosebud	1,743	102	84	1,557	1,250	1,205	45	307
Sanders	2,309	245	5	2,059	1,818	1,753	65	241
Sheridan	1,718	282	0	1,435	1,216	1,170	47	219
Silver Bow	12,027	1,414	94	10,519	8,302	7,888	415	2,217
Stillwater	1,253	207	1	1,045	982	875	107	64
Sweet Grass	1,082	66	7	1,009	874	843	31	134
Teton	2,448	348	2	2,097	1,587	1,510	77	510
Toole	2,490	104	88	2,298	1,703	1,618	86	594
Treasure	447	117	0	330	262	251	10	68
Valley	4,178	1,163	692	2,323	1,832	1,733	99	491
Wheatland	943	117	52	774	682	660	23	91
Wibaux	810	29	0	781	744	728	17	36
Yellowstone	22,048	4,268	438	17,342	13,043	12,481	562	4,298
State Total	185,941	33,192	4,461	148,288	119,996	114,092	5,904	28,292

Source: 1967 Census of Governments, Vol. 7, No. 26, Table 32 (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

TABLE 5.19--Continued

County Area	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue	Population
					(Thousands of Dollars^1)				
Deer Lodge	3,115	350	124	2,641	2,465	2,342	123	175	16,200
Yellowstone	22,048	4,268	438	17,342	13,043	12,481	562	4,298	80,900
Gallatin	6,553	1,209	3	5,341	3,780	3,567	212	1,562	28,700
Silver Bow	12,027	1,414	94	10,519	8,302	7,888	415	2,217	46,300
Cascade	23,968	4,338	1,210	18,419	13,740	12,725	1,016	4,679	80,600
Hill	4,752	932	204	3,616	2,979	2,822	156	638	16,100
Lewis and Clark	8,525	1,663	74	6,787	5,412	5,193	218	1,376	32,500
Flathead	7,702	2,214	84	5,404	4,506	4,466	40	899	37,500
Missoula	11,995	2,333	164	9,498	7,911	7,344	567	1,587	54,300
Nine County Total	100,685	18,721	2,395	79,567	62,138	58,828	3,309	17,431	393,100
Fifty-six County Total	185,941	33,192	4,461	148,288	119,996	114,092	5,904	28,292	701,000
Nine Counties as Percent of Total	54.1	56.4	53.7	53.7	51.8	51.6	56.0	61.6	56.1
Percent of Total--Nine County	100.0	18.6	2.4	79.0	61.7	58.4	3.3	17.3	------
Broadwater	904	148	0	756	678	647	30	79	2,400
Carter	758	72	0	686	658	640	18	29	2,200
Daniels	1,157	217	39	900	727	691	37	173	3,300
Fallon	1,499	123	0	1,376	1,179	1,142	37	196	4,400
Garfield	856	109	0	746	607	587	21	139	1,800
Golden Valley	365	43	0	322	277	267	9	45	1,300
Granite	787	90	0	697	560	534	26	137	2,900
Jefferson	1,099	168	0	931	862	831	31	70	5,000
Judith Basin	980	99	17	864	749	716	33	115	3,300
Liberty	1,224	136	0	1,088	876	841	35	212	2,300
McCone	1,019	87	0	932	844	812	31	88	3,000
Meagher	805	201	1	603	510	491	19	93	2,400
Mineral	994	279	0	716	592	570	22	124	3,400
Musselshell	1,066	108	0	958	800	753	46	159	3,700
Petroleum	239	34	0	205	166	159	7	39	800
Powder River	576	67	11	498	463	436	27	34	2,400
Prairie	796	35	0	761	555	537	19	206	2,100
Sweet Grass	1,082	66	7	1,009	874	843	31	134	3,000
Treasure	447	117	0	330	262	251	10	68	1,200
Wheatland	943	117	52	774	682	660	23	91	2,800
Wibaux	810	29	0	781	744	728	17	36	1,700
Twenty-one County Total	18,406	2,345	127	15,933	13,665	13,136	529	2,267	55,400
Fifty-six County Total	185,941	33,192	4,461	148,288	119,996	114,092	5,904	28,292	701,700
Twenty-one Counties as percent of Total	9.9	7.1	2.8	10.7	11.4	11.5	9.0	8.0	7.9
Percent of Total--Twenty-two Counties	100.0	12.7	0.7	86.6	74.2	71.4	2.9	12.3	-------

The federal government provided direct aid to local untis of government amounting to $4.5 million in fiscal 1967. Cascade County local units received the most of any county area about $1.2 million, almost 27 percent of total federal aid to all local units in 1967. Valley County local units received the second largest amount, and Yellowstone County units received the third largest amount. Local units in nineteen counties received no direct federal aid in 1967.

Total revenue from local sources of local units of government in the fifty-six counties was $148.3 million in 1967. Cascade and Yellowstone Counties were again the largest collectors of revenue from local sources and Petroleum County was the smallest, collecting only $166,000 from local revenue sources.

Property taxes grew slightly faster in Cascade County because Cascade County exceeded all other county areas in property tax revenue collections in 1967, when in 1957 Yellowstone County led the fifty-six county areas in amount of property taxes collected.

The nine most urban counties received 54.1 percent of total general revenue, 56.4 percent of the state aid, 53.7 percent of the direct federal aid, and they collected 51.6 percent of all property taxes for local purposes. These nine counties had 56.1 percent of the state's population in 1967.

In contrast, the twenty-one smallest counties had only 7.9 percent of the state's population and received 9.9 percent of total general revenue, 7.1 percent of the state aid, 2.8 percent of the direct federal aid, and they collected 9.0 percent of all property taxes for local purposes in 1967. None of the twenty-one smallest counties exceeded $1.5 million in total general revenue. The total property taxes collected in these counties was $13.1 million in 1967, an average of $623,000 for the twenty-one county areas.

The role of each source of local general revenue for the fifty-six county areas is shown in Table 5.20. The fifty-six county areas combined relied on the property tax for 61.4 percent of their revenue in 1967. The role of the property tax in providing local revenue declined nearly seven percentage points from 1957 to 1967 for all county areas combined. In 1967 the nine urban counties relied on the property tax for 58.4 percent of their revenue, down from 67.1 percent in 1957. Reliance on the property tax by the smallest counties is decreasing slower than in the rest of the state's counties. In 1967 the smallest counties relied on the property tax for 71.4 percent of their revenue, while in 1957 they relied on it for 75.7 percent.

Reliance on the property tax in local revenue systems was highly variable in 1967 as it was in 1957. For example, Valley County used the property tax for only 41.5 percent of its local revenue, but Wibaux County used the tax for 89.9 percent of its revenue. These wide variations can be explained in part by the difference in intergovernmental revenue to the two county areas which in turn is dependent mainly upon the property tax base per elementary and secondary school student.

TABLE 5.20

Percent of Total General Revenue of Sources for 1967[1]

County Area	Total General Revenue	Intergovt. Revenue	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue
					(Percent)		
Beaverhead	100.0	8.3	91.7	81.5	78.5	3.0	10.3
Big Horn	100.0	29.3	70.7	59.8	56.5	3.3	10.9
Blaine	100.0	28.9	71.1	61.9	58.6	3.3	9.2
Broadwater	100.0	16.4	83.6	75.0	71.6	3.3	8.7
Carbon	100.0	12.1	87.9	73.4	69.8	3.5	14.6
Carter	100.0	9.5	90.5	86.8	84.4	2.4	3.8
Cascade	100.0	23.1	76.8	57.3	53.1	4.2	19.5
Chouteau	100.0	12.6	87.4	76.2	72.1	4.0	11.3
Custer	100.0	18.0	82.0	63.5	60.7	2.8	18.5
Daniels	100.0	22.1	77.8	62.8	59.7	3.2	15.0
Dawson	100.0	14.6	85.4	78.3	75.8	2.6	7.1
Deer Lodge	100.0	15.2	84.8	79.1	75.2	3.9	5.6
Fallon	100.0	8.2	91.8	78.7	76.2	2.5	13.1
Fergus	100.0	13.2	86.8	76.1	75.1	1.0	10.7
Flathead	100.0	29.8	70.2	58.5	58.0	.5	11.7
Gallatin	100.0	18.5	81.5	57.7	54.4	3.2	23.8
Garfield	100.0	12.7	87.1	70.9	68.6	2.5	16.2
Glacier	100.0	31.0	69.0	58.4	54.1	4.3	10.5
Golden Valley	100.0	11.8	88.2	75.9	73.2	2.5	12.3
Granite	100.0	11.4	88.6	71.2	67.9	3.3	17.4
Hill	100.0	23.9	76.1	62.7	59.4	3.3	13.4
Jefferson	100.0	15.3	84.7	78.4	75.6	2.8	6.4
Judith Basin	100.0	11.8	88.2	76.4	73.1	3.4	11.7
Lake	100.0	27.4	72.6	60.2	57.0	3.2	12.4
Lewis & Clark	100.0	20.4	79.6	63.5	60.9	2.6	16.1
Liberty	100.0	11.1	88.9	71.6	68.7	2.9	17.3
Lincoln	100.0	37.6	62.5	53.6	51.4	2.2	8.8
McCone	100.0	8.5	91.5	82.8	79.7	3.0	8.6
Madison	100.0	10.0	90.0	67.8	64.9	2.8	22.3
Meagher	100.0	25.1	74.9	63.4	61.0	2.4	11.6
Mineral	100.0	28.1	72.0	59.6	57.3	2.2	12.5
Missoula	100.0	20.8	79.2	66.0	61.2	4.7	13.2
Musselshell	100.0	10.1	89.9	75.0	70.6	4.3	14.9
Park	100.0	18.8	81.2	68.8	62.7	6.1	12.4
Petroleum	100.0	14.2	85.8	69.5	66.5	2.9	16.3
Phillips	100.0	16.2	83.8	68.9	66.2	2.7	14.8
Pondera	100.0	25.1	74.9	64.2	63.7	.5	10.7
Powder River	100.0	13.5	86.5	80.4	75.7	4.7	5.9
Powell	100.0	16.7	83.3	72.8	69.5	3.4	10.5
Prairie	100.0	4.4	95.6	69.7	67.5	2.4	25.9
Ravalli	100.0	29.4	70.6	61.6	57.1	4.5	9.0
Richland	100.0	19.0	81.0	66.9	63.3	3.6	14.1
Roosevelt	100.0	21.5	78.5	61.1	59.2	1.9	17.3
Rosebud	100.0	10.7	89.3	71.7	69.1	2.6	17.6
Sanders	100.0	10.8	89.2	78.7	75.9	2.8	10.4
Sheridan	100.0	16.4	83.5	70.8	68.1	2.7	12.7
Silver Bow	100.0	12.5	87.5	69.0	65.6	3.5	18.4
Stillwater	100.0	16.6	83.4	78.4	69.8	8.5	5.1
Sweet Grass	100.0	6.7	93.3	80.8	77.9	2.9	12.4
Teton	100.0	14.3	85.7	64.8	61.7	3.1	20.8
Toole	100.0	7.7	92.3	68.4	65.0	3.5	23.9
Treasure	100.0	26.2	73.8	58.6	56.2	2.2	15.2
Valley	100.0	44.4	55.6	43.8	41.5	2.4	11.8
Wheatland	100.0	17.9	82.1	72.3	70.0	2.4	9.7
Wibaux	100.0	3.6	96.4	91.9	89.9	2.1	4.4
Yellowstone	100.0	21.3	78.7	59.2	56.6	2.5	19.5
State Total	100.0	20.3	79.8	64.5	61.4	3.2	15.2

Source: 1967 Census of Governments, Vol. 7, No. 26, Table 32 (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

Local revenue magnitudes in per capita terms for the fifty-six county areas in 1967 are shown in Table 5.21. Total general revenue per capita in 1967 of the fifty-six county areas combined was $265.25. In the nine urban areas per capita general revenue was $256.13 and in the twenty-one smallest counties it was $332.24. Per capita general revenue in the twenty-one smallest counties was 25.3 percent above the fifty-six county average and 29.7 percent above the nine urban county average in 1967. The most striking differences appear in the property tax collections per capita in the three groupings of counties. State average per capita local property taxes were $162.76 in 1967. The nine county average was $149.76 per capita and the twenty-one smallest county average was $237.11 per person. The smallest counties had per capita local property taxes 45.7 percent higher than the state average and 58.3 percent higher than the nine urban county average in 1967. In spite of the high differences in property taxes per capita, these differences have narrowed since 1957.

The county with the highest property tax per capita in 1967 was the Wibaux County area which collected $428.04 per person. Valley County had the lowest per capita property taxes in 1967 of $78.07 per person followed by Big Horn and Ravalli Counties with per capita property taxes of $100.19 and $115.45 respectively.

Growth in General Revenue 1957 to 1967. Table 5.22 was prepared to compare the average annual rates of growth in per capita general revenue of local units of government in the fifty-six counties. The average annual growth in per capita general revenue of the fifty-six counties combined from 1957 to 1967 was 6.0 percent per year. As in 1957, there were wide differences in growth rates among the counties. No county area experienced a decline in per capita general revenue from 1957 to 1967. However, growth in Valley County was 0.7 percent per year and growth in Golden Valley County was 0.9 percent per year--the two county areas with the lowest rates of growth. Dawson County experienced a growth rate in general revenue of 11.1 percent per year. Silver Bow County had the second highest growth rate, 9.8 percent per year in per capita general revenue during the ten-year period. Table 5.22 also shows the amount by which each county area's growth rate diverged from the fifty-six county average in percentage points.

Table 5.23 shows the relation of urban and small county groupings to the state average by source of revenue in summary form. Also, growth rates in each of the items by source and by county groups between 1957 and 1967 are shown in Table 5.23. The table shows the per capita revenue by revenue source of the nine urban counties and of the twenty-one smallest counties and the percent each of these is of the fifty-six county average. It provides the same data contained in previous tables but in summary form for those interested in urban and small county comparisons.

Summary of Expenditure and Revenue of Local Units of Government in Montana

Two major factors have emerged from our analysis of local expenditures in Montana. First, there are wide differences in the per capita

TABLE 5.21

Per Capita General Revenue in Total and by Source 1967[1]

County Area	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue
Beaverhead	274.99	22.06	.69	252.24	224.06	215.84	8.22	28.18
Big Horn	177.18	50.20	1.69	125.29	105.93	100.19	5.74	19.36
Blaine	282.21	65.70	15.73	200.79	174.77	165.58	9.19	26.02
Broadwater	376.61	61.51	0	315.10	282.35	269.67	12.67	32.76
Carbon	279.38	33.75	0	245.63	204.88	195.06	9.82	40.75
Carter	344.71	32.70	0	312.01	298.99	290.76	8.23	13.02
Cascade	297.37	53.82	15.02	228.53	170.47	157.87	12.60	58.06
Chouteau	344.17	43.26	0	300.91	262.03	248.16	13.87	38.88
Custer	226.92	38.96	1.90	186.05	144.10	137.70	6.40	41.95
Daniels	350.49	65.64	12.07	272.78	220.43	209.26	11.17	52.35
Dawson	328.98	47.90	.09	280.99	257.63	249.27	8.36	23.36
Deer Lodge	192.26	21.59	7.66	163.01	152.18	144.58	7.60	10.83
Fallon	340.57	27.95	0	312.62	267.97	259.60	8.37	44.65
Fergus	258.20	33.02	1.10	224.08	196.47	193.96	2.51	27.61
Flathead	205.39	59.04	2.23	144.12	120.15	119.09	1.06	23.97
Gallatin	228.34	42.13	.11	186.11	131.69	124.30	7.40	54.41
Garfield	475.45	60.83	0	414.62	337.32	325.89	11.43	77.31
Glacier	235.84	43.86	29.31	162.66	137.75	127.52	10.24	24.91
Golden Valley	281.01	33.23	.02	247.76	212.91	205.69	7.21	34.85
Granite	271.34	31.04	0	240.30	193.23	184.30	8.93	47.07
Hill	295.16	57.88	12.68	224.60	185.00	175.31	9.69	39.60
Jefferson	219.77	33.53	0	186.24	172.31	166.13	6.18	13.94
Judith Basin	297.11	29.99	5.25	261.87	226.96	217.01	9.95	34.91
Lake	244.20	62.58	4.30	177.32	147.08	139.33	7.76	30.24
Lewis & Clark	262.30	51.17	2.28	208.84	166.51	159.79	6.72	42.34
Liberty	532.05	58.92	0	473.13	380.81	365.81	15.00	92.32
Lincoln	254.16	85.80	9.65	158.71	136.25	130.62	5.63	22.46
McCone	339.59	28.98	0	310.61	281.22	270.72	10.49	29.40
Madison	265.40	26.47	0	238.93	179.72	172.23	7.49	59.21
Meagher	335.38	83.59	.75	251.04	212.41	204.56	7.85	38.64
Mineral	292.48	81.99	0	210.49	174.13	167.76	6.37	36.36
Missoula	220.90	42.97	3.01	174.92	145.69	135.24	10.45	29.23
Musselshell	288.20	29.21	0	259.00	216.14	203.64	12.49	42.86
Park	231.99	42.50	1.11	188.39	159.68	145.46	14.22	28.71
Petroleum	298.60	42.55	0	256.05	206.93	198.42	8.51	49.12
Phillips	331.26	49.98	3.90	277.38	228.21	219.25	8.97	49.17
Pondera	293.23	62.52	11.11	219.59	188.24	186.80	1.44	31.35
Powder River	239.88	27.75	4.74	207.38	193.12	181.72	11.40	14.27
Powell	264.61	43.00	1.13	220.47	192.68	183.73	8.95	27.80
Prairie	379.26	16.78	0	362.48	264.42	255.51	8.91	98.06
Ravalli	202.08	59.38	.09	142.61	124.43	115.45	8.98	18.18
Richland	280.92	51.42	1.94	227.56	187.91	177.84	10.07	39.65
Roosevelt	322.62	54.96	14.53	253.14	197.15	190.87	6.28	55.99
Rosebud	276.63	16.12	13.33	247.19	198.45	191.33	7.12	48.74
Sanders	339.61	36.06	.72	302.84	267.42	257.83	9.59	35.42
Sheridan	281.60	46.28	0	235.32	199.40	191.76	7.64	35.92
Silver Bow	259.76	30.54	2.02	227.20	179.31	170.36	8.95	47.89
Stillwater	261.10	43.10	.19	217.81	204.55	182.29	22.26	13.25
Sweet Grass	360.69	21.92	2.50	336.27	291.48	281.04	10.44	44.79
Teton	338.52	55.22	.40	332.91	251.92	239.74	12.19	80.98
Toole	366.12	15.27	12.92	337.93	250.51	237.94	12.58	87.42
Treasure	372.67	97.55	0	275.12	218.15	209.41	8.74	56.97
Valley	188.21	52.40	31.15	104.66	82.52	78.07	4.45	22.14
Wheatland	336.67	41.82	18.58	276.27	243.70	235.59	8.11	32.57
Wibaux	476.28	17.08	0	459.20	437.91	428.04	9.87	21.30
Yellowstone	272.53	52.75	5.43	214.36	161.23	154.28	6.95	53.13
State Total	265.25	47.35	6.36	211.54	171.18	162.76	8.42	40.36

Source: 1967 Census of Governments, Vol. 7, No. 26, Table 32 (U.S. Dept. of Commerce, Bureau of the Census).

1. Details may not add to totals due to rounding.

TABLE 5.21--Continued

County Area	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue
Deer Lodge	192.26	21.59	7.66	163.01	152.18	144.58	7.60	10.83
Yellowstone	272.53	52.75	5.43	214.36	161.23	154.28	6.95	53.13
Gallatin	228.34	42.13	.11	186.11	131.69	124.30	7.40	54.41
Silver Bow	259.76	30.54	2.02	227.20	179.31	170.36	8.95	47.89
Cascade	297.37	53.82	15.02	228.53	170.47	157.87	12.60	58.06
Hill	295.16	57.88	12.68	224.60	185.00	175.31	9.69	39.60
Lewis and Clark	262.30	51.17	2.28	208.84	166.51	159.79	6.72	42.34
Flathead	205.39	59.04	2.23	144.12	120.15	119.09	1.06	23.97
Missoula	220.90	42.97	3.01	174.92	145.69	135.24	10.45	29.23
Nine County Average	256.13	47.62	6.09	202.41	158.07	149.65	8.41	44.34
Fifty-six County Average	265.25	47.35	6.36	211.54	171.18	162.76	8.42	40.36
Nine Counties as Percent of Fifty-six Counties	96.6	100.6	95.8	95.7	92.3	91.9	99.9	109.9
Broadwater	376.61	61.51	0	315.10	282.35	269.67	12.67	32.76
Carter	344.71	32.70	0	312.01	298.99	290.76	8.23	13.02
Daniels	350.49	65.64	12.07	272.78	220.43	209.26	11.17	52.35
Fallon	340.57	27.95	0	312.62	267.97	259.60	8.37	44.65
Garfield	475.45	60.83	0	414.62	337.32	325.89	11.43	77.31
Golden Valley	281.01	33.23	.02	247.76	212.91	205.69	7.21	34.85
Granite	271.34	31.04	0	240.30	193.23	184.30	8.93	47.07
Jefferson	219.77	33.53	0	186.24	172.31	166.13	6.18	13.94
Judith Basin	297.11	29.99	5.25	261.87	226.96	217.01	9.95	34.91
Liberty	532.05	58.92	0	473.13	380.81	365.81	15.00	92.32
McCone	339.59	28.98	0	310.61	281.22	270.72	10.49	29.40
Meagher	335.38	83.59	.75	251.04	212.41	204.56	7.85	38.64
Mineral	292.48	81.99	0	210.49	174.13	167.76	6.37	36.36
Musselshell	288.20	29.21	0	259.00	216.14	203.64	12.49	42.86
Petroleum	298.60	42.55	0	256.05	206.93	198.42	8.51	49.12
Powder River	239.88	27.75	4.74	207.38	193.12	181.72	11.40	14.27
Prairie	379.26	16.78	0	362.48	264.42	255.51	8.91	98.06
Sweet Grass	360.69	21.92	2.50	336.27	291.48	281.04	10.44	44.79
Treasure	372.67	97.55	0	275.12	218.15	209.41	8.74	56.97
Wheatland	336.67	41.82	18.58	276.27	243.70	235.59	8.11	32.57
Wibaux	476.28	17.08	0	459.20	437.91	428.04	9.87	21.30
Twenty-one County Average	332.24	42.33	2.29	287.60	246.66	237.11	9.54	40.92
Fifty-six County Average	265.25	47.35	6.36	211.54	171.18	162.76	8.42	40.36
Twenty-one Counties as Percent of Fifty-six Counties	125.31	89.4	36.0	136.0	144.1	145.7	113.3	99.8

TABLE 5.22

Average Annual Growth in Total General Revenue Per Capita from 1957 to 1967 of the Local Units of Government in the Fifty-six County Areas

(Percent)

County Area	Total General Revenue	Difference from State Average	County Area	Total General Revenue	Difference from State Average
Beaverhead	2.3	-3.7	Meagher	8.2	+2.2
Big Horn	1.1	-4.9	Mineral	2.7	-3.3
Blaine	4.3	-1.7	Missoula	7.7	+1.7
Broadwater	5.9	-0.1	Musselshell	5.4	-0.6
Carbon	4.9	-1.1	Park	7.3	+1.3
Carter	1.7	-4.3	Petroleum	4.3	-1.7
Cascade	7.5	+1.5	Phillips	3.5	-2.5
Chouteau	5.3	-0.7	Pondera	4.8	-1.2
Custer	2.9	-3.1	Powder River	5.0	-0.1
Daniels	7.0	+1.0	Powell	5.8	-0.2
Dawson	11.1	+5.1	Prairie	6.1	+0.1
Deer Lodge	6.4	+0.4	Ravalli	3.9	-1.1
Fallon	7.0	+1.0	Richland	4.1	-1.9
Fergus	5.6	-0.4	Roosevelt	6.5	+0.5
Flathead	5.7	-0.3	Rosebud	4.3	-1.7
Gallatin	5.8	-0.2	Sanders	5.9	-0.1
Garfield	10.4	+4.4	Sheridan	4.5	-1.5
Glacier	3.1	-2.9	Silver Bow	9.8	+3.8
Golden Valley	0.9	-5.1	Stillwater	3.3	-2.7
Granite	3.0	-3.0	Sweet Grass	8.0	+2.0
Hill	6.8	+0.8	Teton	3.5	-2.5
Jefferson	3.4	-2.6	Toole	5.6	-0.4
Judith Basin	2.1	-3.9	Treasure	3.6	-2.4
Lake	4.3	-1.7	Valley	0.7	-5.3
Lewis & Clark	7.8	+1.8	Wheatland	5.5	-0.5
Liberty	9.3	+3.3	Wibaux	9.0	+3.0
Lincoln	5.5	-0.5	Yellowstone	6.4	+0.4
McCone	4.9	-1.1			
Madison	5.5	-0.4	State Average	6.0	0.0

Source: Montana Fiscal Affairs Study.

TABLE 5.23

Comparison of Per Capita General Revenue by Source and by Urban and Small County Groupings with the State Average for 1957 and 1967 and Growth Rates from 1957 to 1967

	Total General Revenue	Revenue from State	Revenue from Federal	Total Revenue Local Sources	Total Taxes	Property Taxes	Other Taxes	Charges and Miscellaneous Revenue
				Per Capita 1957				
Nine Urban Counties	126.54	14.97	.78	110.09	91.98	84.39	7.04	18.87
Percent State Average	85.50	73.40	54.20	87.10	85.00	84.10	98.60	104.10
Twenty-one Smallest Counties	196.32	26.08	.38	169.86	155.80	148.62	7.07	13.68
Percent State Average	132.50	127.90	26.40	134.40	144.10	147.20	99.00	75.50
Fifty-six counties	148.20	20.39	1.44	126.37	108.15	100.98	7.14	18.12
Percent State Average	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
				Per Capita 1967				
Nine Urban Counties	256.13	47.62	6.09	202.41	158.07	149.65	8.41	44.34
Percent State Average	96.60	100.60	95.80	95.70	92.30	91.90	99.90	109.90
Twenty-one Smallest Counties	333.24	42.33	2.29	287.60	246.66	237.11	9.50	40.92
Percent State Average	125.30	89.40	36.00	136.00	144.10	145.70	113.30	99.80
Fifty-six counties	265.25	47.35	6.36	211.54	171.18	162.76	8.42	40.36
Percent State Average	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
				Annual Growth in Per Capita Revenue 1957 to 1967				
Nine County Average	7.3	12.3	22.8	6.3	5.9	5.9	1.9	8.99
Twenty-one County Average	5.5	5.0	20.2	5.4	4.7	4.8	3.1	11.6
Fifty-six County Average	6.0	8.8	16.0	5.3	4.7	4.9	1.7	8.4

Source: Census of Governments, 1957 and 1966-67 (U.S. Department of Commerce, Bureau of the Census) expenditures for current operations among the fifty-six county areas. These differences represetn real differences in the quantity and quality of services received by Montanans from their local government units. Specifically, there are differences in per capita current expenditures for highways and education which, when translated into per mile of road expenditures and per average number belonging expenditures, indicate serious disparities in government service levels per recipient across the state. Second, we found that the disparities in per capita expenditures could be generalized to county groupings. It is clear that per capita current general expenditures are higher in the small counties than in the larger counties by substantial margins. The higher per capita expenditure phenomena in small counties hold true for every governmental function except police protection and correction. For this function, urban county expenditures are slightly above the state average and small county expenditures are below the state average. Per capita expenditures in the twenty-one smallest counties exceed that in the urban counties and the state average by a substantial margin in every function of government except police protection and correction. In fiscal 1967, per capita expenditures in the twenty-one smallest counties were 114.7 percent of the state per capital direct current general expenditure, 111.5 percent of the state average per capita education expenditure, 146.6 percent of the state average per capita highway expenditure, 159.2 percent of the state average per capita public welfare expenditure, 157.1 percent of the state average per capita health and hospital expenditure, and 174.8 percent of the state average per capita general control expenditure (see Table 5.14).

Two factors of the same nature emerged from our analysis of local revenue in Montana. First, there are wide differences in per capita general revenue and in the per capita amounts received from state and federal governments, per capita property taxes, and in the per capita amounts collected from governmental charges. Second, it was found that the smallest counties have the highest per capita property tax loads. Property taxes per capita in 1967 in the twenty-one smallest counties exceeded the state average by 45.7 percent and exceeded the nine urban county average by 58.4 percent.

These differences in per capita expenditures and per capita revenues and taxes constitute sufficient reason to look further into the disparities in government service levels across the state and to investigate the effort of these local units of government in relation to their capacity to support services. Recall that in spite of the school foundation program, it was found that expenditures per average number of students belonging in Liberty County were 45.6 percent higher than in Deer Lodge County and similar results were found regarding current expenditures per mile of road. Also, recall that Liberty County ranked second in personal income per capita while Deer Lodge County ranked forty-fifth in per capita personal income indicating a wide disparity in fiscal capacity as well.

The data showing per capita revenue and per capita expenditure are insufficient to determine the nature of the fiscal problems or lack of them in local revenue and expenditure systems. It seems reasonable that high per capita expenditures can be made relatively easily if there is a relatively high tax base or fiscal capacity per capita, but high per capita expenditures with a narrow tax and revenue base may put severe pressure on the local fiscal system. Likewise, a small revenue base may have severe pressure on it with low per capita expenditures.

We shall attempt to identify the variations in local fiscal effort and fiscal capacity and develop rough measures of financial pressure on local revenue systems of the fifty-six county area.

Measures of Local Fiscal Effort and Capacity

There is no ideal way to measure the pressure put on the financial resources of local government. But, obviously, some local governments make a greater effort to provide services in relation to their capacity than others.

To shed some light on the situation in Montana, we have computed some measures of fiscal effort and fiscal capacity for the fifty-six county areas and then divided the fiscal effort measure by the fiscal capacity measure to ascertain the relative utilization of fiscal resources in the counties. Before analyzing the results of our computations, it may be instructive to provide an example which illustrates the concepts of fiscal effort and fiscal capacity.

Suppose we have nine counties which represent high, average, and low fiscal effort and high, average, and low fiscal capacity. For the sake of simplicity, assume that the nine counties represented all the combinations of fiscal effort and capacity possible with the three levels of effort and capacity. Table 5.24 illustrates the possible combinations.

Also, for simplicity, assume that high refers to 125, average refers to 100, and low refers to 75. County one has both high effort and capacity, whereas county two has high effort and average capacity. On the other hand, county three has high effort and low capacity. It is clear that the ratio of fiscal effort to fiscal capacity is highest in the county which has the highest effort relative to capacity. It is also clear that county three, for example, utilizes its fiscal system to a more intense degree than county seven which makes a low effort and has a high capacity. Note that county one has both a high effort and a high capacity and an effort relative to capacity. That is, county one makes an average effort relative to its capacity. However, county three makes a high effort relative to its capacity and county seven makes a low effort relative to its capacity. Careful note should be taken of the fact that the ratio of effort to capacity can be identical when the effort and capacity indexes are the same regardless of whether the effort and capacity indexes are high, average, or low. Table 5.25 will assist further in the interpretation of the concepts of fiscal effort to fiscal capacity ratios.

TABLE 5.24

Possible Combinations of Fiscal Effort and Fiscal Capacity

County	Effort Index	Capacity Index	Ratio of Effort to Capacity
1	125	125	100
2	125	100	125
3	125	75	167
4	100	125	80
5	100	100	100
6	100	75	133
7	75	125	60
8	75	100	75
9	75	75	100

Source: Montana Fiscal Affairs Study.

TABLE 5.25

Relationship of Fiscal Effort to Capacity Ratios to Size of Indexes of Fiscal Effort and Fiscal Capacity

	High Effort	Average Effort	Low Effort
High Capacity	Average Ratios	Below Average Ratios	Below Average Ratios
Average Capacity	Above Average Ratios	Average Ratios	Below Average Ratios
Low Capacity	Above Average Ratios	Above Average Ratios	Average Ratios

Source: Montana Fiscal Affairs Study.

It should be noted that counties with high effort will never have a ratio of fiscal effort to fiscal capacity below average. Also, counties with a low effort will never have fiscal effort to capacity ratios above average. For counties with an average effort, some will have below average ratios, some will have average ratios, and some will have above average ratios.

Measures of Fiscal Effort

Table 5.26 shows the four indexes of fiscal effort prepared. The first measure used is per capita current general expenditure in each county area minus federal and state aid to local units of government. It shows the current expenditure of local units by county area which is financed by the local fiscal system in each county area. The second measure is per capita revenue for local sources such as the property tax, license taxes, as well as governmental charges. It represents own local revenue as defined by the Bureau of the Census. The third measure is per capita taxes. The indexes shown in Table 5.26 were constructed by taking each of the per capita effort measures in each county area and dividing by the fifty-six county per capita average. Thus, each index provides a measure of the level of county area fiscal effort in relation to the state average. The index in column 1 of Table 5.26, the combined index, is the average of the three other indexes in the table. Each of the three independent indexes were given equal weight in computing the combined index.

Table 5.26 shows the fifty-six county areas ranked in descending order of the combined index of fiscal effort. It should be noted that county areas which rank high with one index of fiscal effort also rank high with the other two.

It appears that the smaller county areas in the state in terms of population are making a high fiscal effort relative to the state average. None of the nine most urban counties ranks above thirty-three in the combined index. This result is in conformance with data presented earlier in this chapter.

The combined effort index indicates that Liberty County exerted an effort 100 percent higher than the state average. Valley County exerted an effort of only 44 percent of the state average.

Measures of Fiscal Capacity

The measures of fiscal capacity are intended to demonstrate the ability of the people in a particular county area to support government services relative to the average of the state. Accordingly, we have used two measures of the fiscal capacity in each county area. The first measure is per capita taxable values in each county. This is an important measure of fiscal capacity because property value is the only major tax

TABLE 5.26

Indexes of Fiscal Effort of All Local Units of Government in Montana Fiscal 1967

County Area	Rank Combined Effort Index	Combined Effort Index	Index of Per Capita Own Current Expenditure	Index of Per Capita Own Local Revenue	Index of Per Capita Taxes
Liberty	1	200	228	191	183
Wibaux	2	187	167	185	211
Garfield	3	159	148	167	162
Prairie	4	142	154	146	127
McCone	5	138	155	125	135
Sweet Grass	6	132	121	136	140
Carter	7	130	119	126	144
Toole	8	130	135	136	120
Sanders	9	125	125	122	129
Chouteau	10	124	124	121	126
Fallon	11	124	118	126	129
Teton	12	123	114	134	121
Broadwater	13	122	103	127	136
Phillips	14	115	123	112	110
Wheatland	15	113	111	112	117
Musselshell	16	112	127	105	104
Dawson	17	111	95	113	124
Petroleum	18	111	130	103	99
Daniels	19	110	114	110	106
Judith Basin	20	106	103	106	109
Beaverhead	21	105	104	102	108
Golden Valley	22	102	103	100	102
Carbon	23	101	106	99	98
Roosevelt	24	101	106	102	95
Madison	25	100	117	96	86
Treasure	26	100	83	111	105
Granite	27	98	103	97	93
Meagher	28	98	92	101	102
Stillwater	29	97	105	88	98
Rosebud	30	96	94	100	95
Fergus	31	94	99	90	94
Sheridan	32	93	89	95	96
Hill	33	92	96	91	89
Richland	34	91	92	92	90
Silver Bow	35	90	93	92	86
Cascade	36	89	93	92	82
Powell	37	87	80	89	93
Blaine	38	86	94	81	84
Pondera	39	86	79	89	90
Yellowstone	40	86	93	87	78
Lewis and Clark	41	83	86	84	80
Mineral	42	80	71	85	84
Powder River	43	80	62	84	93
Jefferson	44	78	76	75	83
Park	45	78	80	76	77
Custer	46	77	87	75	69
Gallatin	47	74	84	75	63
Missoula	48	71	71	71	70
Lake	49	68	61	72	71
Deer Lodge	50	67	61	66	73
Flathead	51	64	76	58	58
Glacier	52	63	57	66	66
Lincoln	53	59	49	64	65
Ravalli	54	59	59	58	60
Big Horn	55	50	48	51	51
Valley	56	44	49	42	40
State Average	--	100	100	100	100

Source: Montana Fiscal Affairs Study.

TABLE 5.27

Indexes of Fiscal Capacity of All Local Units
of Government in Montana
Fiscal 1967

County Area	Rank Combined Capacity Index	Combined Capacity Index	Index of Per Capita Property Values	Index of Per Capita Gross Income
Liberty	1	182	187	177
Fallon	2	172	252	92
Wibaux	3	155	238	73
Chouteau	4	147	151	143
Garfield	5	127	152	101
Toole	6	126	125	128
Pondera	7	125	105	146
Teton	8	124	124	125
Judith Basin	9	117	147	86
Sheridan	10	114	100	129
Carbon	11	113	146	81
Daniels	12	112	92	132
Broadwater	13	110	124	96
Musselshell	14	109	121	96
Golden Valley	15	107	142	72
Granite	16	107	107	106
Prairie	17	107	130	84
Petroleum	18	106	147	66
Treasure	19	104	121	88
McCone	20	103	114	92
Lewis and Clark	21	102	59	145
Yellowstone	22	102	66	139
Beaverhead	23	101	90	112
Dawson	24	101	88	113
Phillips	25	101	114	88
Hill	26	100	72	127
Sanders	27	100	113	88
Sweet Grass	28	100	117	84
Wheatland	29	100	99	101
Carter	30	99	128	70
Meagher	31	98	113	83
Stillwater	32	97	101	93
Rosebud	33	94	111	78
Fergus	34	93	84	102
Powder River	35	92	113	71
Park	36	91	66	116
Cascade	37	88	55	120
Silver Bow	38	88	49	127
Powell	39	87	69	105
Custer	40	85	64	107
Missoula	41	85	49	121
Roosevelt	42	85	80	90
Gallatin	43	84	54	113
Flathead	44	83	59	106
Lincoln	45	81	48	114
Richland	46	80	75	84
Deer Lodge	47	79	50	108
Mineral	48	79	66	92
Glacier	49	78	75	81
Jefferson	50	78	77	79
Madison	51	78	84	73
Blaine	52	71	70	72
Lake	53	69	60	77
Big Horn	54	67	69	65
Ravalli	55	67	47	87
Valley	56	50	45	56
State Average	--	100	100	100

Source: Montana Fiscal Affairs Study.

base available to local units of government. One difficulty with taxable property values per capita is that we do not know if assessments are equalized across the state. Hence, this measure may have some distortions because unequalized assessments will indicate artificial differences in fiscal capacity. However, we felt that in spite of the lack of sales ratios, the property tax base is so important in local revenue systems and so crucial to fiscal capacity of a county area to proceed as though assessments were equalized. The second measure of fiscal capacity employed is federal adjusted gross income reported on resident individual income tax returns in each county. State average per capita property values and per capita gross incomes were computed and divided into county per capita figures to convert the two fiscal capacity measures to an index basis.

Table 5.27 shows the two independent measures of fiscal capacity in addition to a combined fiscal capacity index which is the simple average of the property value index and the gross income index. Liberty County had a capacity of 87 percent above the state average and Valley County had a fiscal capacity of 50 percent of the state average.

It should be noted that there is wide disparity in the fiscal capacity of a county area depending on whether the index of per capita property values or the index of per capita gross income is used. For example, the fiscal capacity in Fallon County is 152 percent above the state average according to the property value index and 8 percent below the state average if the gross income index is used. On the other hand, the fiscal capacity of Lewis and Clark County is 41 percent below the state average if the property value index is used and 45 percent above the state average if the gross income index is used. The combined index used both property values and income which are used to pay property taxes. It is a compromise between the two positions.

Fiscal Effort in Relation to Fiscal Capacity

Table 5.28 shows the ratio of the combined index of fiscal effort in Table 5.26 to the combined index of fiscal capacity in Table 5.27. The counties are ranked in Table 5.28 according to the ratio of fiscal effort to fiscal capacity of the combined indexes. The indexes in Table 5.28 show the relative utilization of fiscal capacities among the county areas. McCone County exerted a fiscal effort relative to its fiscal capacity, 34 percent higher than did the average county. Prairie County's fiscal effort relative to fiscal capacity was 33 percent higher than the state average, and Sweet Grass County's index of 132 shows a relative effort, 32 percent above the state average. Jefferson, Meagher, Powell, and Stillwater Counites exerted fiscal effort in relation to fiscal capacity precisely at the state average. Twenty-two counties exerted fiscal effort in relation to their fiscal capacity within 10 percent of the state average. On the low side, Pondera County had an index of 69 indicating a relative effort 31 percent below the state average. There were only five counties 20 percent below the state average as compared with nine counties at least 20 percent above the state average.

TABLE 5.28

Indexes of Fiscal Effort Relative to Fiscal Capacity
All Local Units of Government in Montana
Fiscal 1967

County Area	Rank Combined Index	Combined Fiscal Effort to Combined Property & Income Capacity	County Area	Rank Combined Index	Combined Fiscal Effort to Combined Property & Income Capacity
McCone	1	134	Lake	30	99
Prairie	2	133	Teton	31	99
Sweet Grass	3	132	Daniels	32	98
Carter	4	131	Treasure	33	96
Madison	5	128	Golden Valley	34	95
Garfield	6	125	Granite	35	92
Sanders	7	125	Hill	36	92
Blaine	8	121	Custer	37	91
Wibaux	9	121	Judith Basin	38	91
Roosevelt	10	119	Carbon	39	89
Phillips	11	114	Gallatin	40	88
Richland	12	114	Ravalli	41	88
Wheatland	13	113	Valley	42	88
Broadwater	14	111	Powder River	43	87
Dawson	15	110	Park	44	86
Liberty	16	110	Deer Lodge	45	85
Petroleum	17	105	Chouteau	46	84
Beaverhead	18	104	Missoula	47	84
Musselshell	19	103	Yellowstone	48	84
Toole	20	103	Sheridan	49	82
Rosebud	21	102	Glacier	50	81
Silver Bow	22	102	Lewis and Clark	51	81
Cascade	23	101	Flathead	52	77
Fergus	24	101	Big Horn	53	75
Mineral	25	101	Lincoln	54	73
Jefferson	26	100	Fallon	55	72
Meagher	27	100	Pondera	56	69
Powell	28	100			
Stillwater	29	100	State Average		100

Source: Montana Fiscal Affairs Study.

Table 5.29 was prepared to show the combined index of fiscal effort in relation to the indexes of per capita property value and per capita gross income. The county areas are ranked in descending order according to the two sets of ratios. It is interesting to note that effort in relation to the property value index places the nine most urban counties except for Flathead County at the top of the list. These urban counties exercise very high fiscal effort in relation to per capita taxable value of property. On the other hand, fiscal effort in relation to per capita gross income effort places the nine urban counties below the state average and these nine urban counties occupy nine out of the last fifteen places in the ranking. In relation to income, these nine counties exercise very low fiscal effort in relation to fiscal capacity. The small counties occupy reverse positions to the urban counties according to the index used.

Although the combined fiscal effort capacity ratios in Table 5.28 depict the theoretically more valid measure of fiscal effort relative to fiscal capacity, in reality the combined index of fiscal effort relative to property value capacity is more realistic in term of the existing situation. This is because the property tax is the only major tax source available to local government. They cannot tax incomes although they receive a share of the individual income tax through the school foundation program. It seems clear that the nine urban counties, excluding Flathead, used their financial resources more intensely in 1967 than did the rest of the counties and certainly more intensely than the average county. It also seems clear that Big Horn, Golden Valley, Judith Basin, Powder River, Carbon, and Fallon Counties fell far short of utilizing their financial resources to the extent of even the average county. The differences in relative fiscal effort between the lowest six counties and the highest eight counties indicate that local financial pressures are distributed quite unevenly under the present financial structure.

Recall the example of Liberty County and Deer Lodge County previously used to point out the disparity in service levels per person in the two county areas. Deer Lodge County spent $214.45 less per person than Liberty County. The data in Table 5.29 using the combined fiscal effort property value capacity index indicates that Deer Lodge County made 25 percent more effort in relation to fiscal capacity than Liberty County, and in spite of that, substantially higher relative effort expenditures per person in Deer Lodge County were only 39 percent as high as the per capita expenditure in Liberty County.

It would seem reasonable that distribution of state aid to local units of government should relate to the intensity with which local units of government utilize their fiscal resources. Measures such as those shown above are an attempt to arrive at consistent measures of the relative effort of local units of government within county areas across the state.

TABLE 5.29

Indexes of Fiscal Effort Relative to Fiscal Capacity
All Local Units of Government in Montana
Fiscal 1967

County Area	Rank Property Values Capacity Index	Fiscal Effort to Property Values Capacity Index	County Area	Rank Gross Income Capacity	Fiscal Effort to Gross Income Capacity
Silver Bow	1	172	Wibaux	1	244
Cascade	2	151	Carter	2	177
Missoula	3	136	Prairie	3	161
Lewis and Clark	4	132	Petroleum	4	160
Gallatin	5	128	Garfield	5	150
Deer Lodge	6	125	Sweet Grass	6	150
Yellowstone	7	121	McCone	7	143
Hill	8	120	Golden Valley	8	135
Dawson	9	118	Sanders	9	135
Powell	10	118	Madison	10	130
Ravalli	11	118	Fallon	11	129
Roosevelt	12	118	Phillips	12	125
Blaine	13	115	Broadwater	13	121
Lincoln	14	115	Carbon	14	119
McCone	15	113	Judith Basin	15	117
Mineral	16	113	Rosebud	16	117
Richland	17	113	Blaine	17	113
Custer	18	112	Meagher	18	112
Daniels	19	112	Musselshell	19	111
Madison	20	111	Treasure	20	109
Musselshell	21	110	Liberty	21	108
Beaverhead	22	109	Powder River	22	108
Wheatland	23	107	Roosevelt	23	107
Lake	24	106	Wheatland	24	107
Sweet Grass	25	106	Richland	25	103
Fergus	26	105	Stillwater	26	99
Sanders	27	104	Toole	27	97
Prairie	28	102	Jefferson	28	94
Flathead	29	101	Dawson	29	93
Liberty	30	100	Teton	30	93
Garfield	31	98	Beaverhead	31	90
Toole	32	97	Fergus	32	88
Carter	33	95	Granite	33	88
Jefferson	34	94	Lake	34	84
Phillips	35	94	Chouteau	35	83
Teton	36	93	Mineral	36	83
Broadwater	37	92	Daniels	37	79
Valley	38	92	Powell	38	79
Stillwater	39	90	Valley	39	75
Musselshell	40	87	Glacier	40	74
Sheridan	41	87	Big Horn	41	73
Granite	42	86	Cascade	42	70
Meagher	43	81	Custer	43	69
Rosebud	44	80	Hill	44	69
Glacier	45	79	Sheridan	45	69
Treasure	46	78	Silver Bow	46	68
Chouteau	47	77	Ravalli	47	65
Pondera	48	77	Park	48	64
Wibaux	49	74	Gallatin	49	62
Petroleum	50	71	Deer Lodge	50	59
Big Horn	51	67	Yellowstone	51	59
Golden Valley	52	67	Flathead	52	57
Judith Basin	53	67	Missoula	53	56
Powder River	54	66	Pondera	54	56
Carbon	55	64	Lewis and Clark	55	54
Fallon	56	56	Lincoln	56	50

Source: Montana Fiscal Affairs Study.

PART II

REVENUE AND EXPENDITURE PROJECTIONS

Chapter 6 State and Local Government Revenue and Expenditure Projections for Montana in 1975

CHAPTER 6 STATE AND LOCAL GOVERNMENT REVENUE AND EXPENDITURE PROJECTIONS FOR MONTANA IN 1975

CHAPTER 6

STATE AND LOCAL GOVERNMENT REVENUE AND EXPENDITURE PROJECTIONS FOR MONTANA IN 1975

Introduction

Fiscal problems having the most direct and recurrent meaning to legislators are centered around the fact that the tax base in Montana grows at a rate slower than the demands for increased state and local expenditure. Since World War II each legislative session has been faced with the problem of balancing this slow rate of growth in the tax base with a somewhat faster rate of growth in the demands on the state and local treasuries. The solutions ultimately have resulted in tax rate increases to balance revenue with expenditures.

It should be clear that the same situation has existed across the country in state and local finance. Montana has faced the same problems as the rest of the states in financing state and local governments.

This study attempts to project the dimensions of state and local spending needs in 1975. When the spending needs are compared with revenue projections assuming the existing revenue structure, the magnitude of the revenue deficiency to be made up by tax increases can be observed. Thus, the legislature can observe the magnitude of the revenue deficiency in 1975 and develop a plan to meet the deficiency.

The chapter is broken into four major parts. Part one contains state and local government revenue projections and contains these projections by type of revenue for state government and local government. Part two contains expenditure projections of state and local governments combined by expenditure category. Part three pulls together state government general revenue and general expenditure projections to get a view of the state fiscal picture in 1975. Part four provides a view of the local revenue and expenditure picture in 1975.

State and Local Government General Revenue Projections

Most revenue of state and local governments is collected from revenue bases which respond to economic and demographic change. That is, increases in the population and personal income or other features of a state will cause an increase in most tax bases as well as an increase in general business activity from which most nontax revenue is derived.

This study uses the stable relationship between revenue sources of government in Montana to economic and demographic features of the state as the basis for projecting state and local government revenue to 1975. More specifically, the historical relationships between economic and demographic features of the state and revenue sources of government were determined through the use of multiple regression analysis. If one assumes these relationships will hold into the future, a necessary assumption for any method of projection, government revenue may be projected by using available projections of economic and demographic features of the state.

As an example, suppose that historical data revealed that a 10 percent increase in the population of the state caused a 5 percent increase in cigarette sales. It would then by possible to project cigarette sales to any year for which a good population projection was available. State revenue from cigarette taxes could then be derived by applying the current tax rate to total sales in the projection period. It is important in this example and in this study that the tax base (packages of cigarettes) be projected rather than cigarette tax revenue. If cigarette tax revenue were related to population in a regression using historical data, the relationship would undoubtedly be different than that emerging when the number of packages of cigarettes sold is related to population. The reason is that cigarette tax rates change over time. If this approach were used, the revenue projection would have two qualifying factors. First, the relationship between population and cigarette consumption must be the same in the future as it has been in the past. Second, cigarette tax rate changes must occur with the same frequency as they have in the past. This second requirement is clearly unreasonable. It distorts the meaning of revenue projections by requiring the legislative processes to behave in the future in the same manner as they have in the past.

The question to be answered in this study is how much revenue will be available to state and local government in Montana in 1975 if the present tax structure is not changed. Projections of state and local revenue are based on statistical analysis of over fifty revenue sources of state and local governments in Montana. In most cases, the base of the revenue source was projected to 1975 on the basis of its historical relationship to personal income, population, or other economic and demographic features of Montana. Establishing the bases of all sources of revenue is an arduous task. In a few cases, it is impossible or at least infeasible to do so. In a few instances, revenue was projected without subtracting the influence of tax rate changes over time. In these cases, the revenue projection is probably biased upwards because of the implicit rate changes. Revenue from these few sources is small, however, so their effect on total state or total local revenue is probably not great and should not produce a significant upwards bias to the projections presented in this chapter.

Historical data on revenue bases in Montana were gathered from state sources where possible. The projections of revenue were than grouped to conform as closely as possible to Census Bureau categories of revenue sources. It is believed that this method presents revenue projections in their most usable form. The major sources of revenue are shown separately, but minor sources of revenue have been aggregated by revenue type to avoid burdensome detail.

Table 6.1 shows the sources of state revenue which have been projected in this analysis. The categories shown in capital letters are the categories by which revenue projections are presented in this paper. The subcategories shown in small letters are the components of each major source of revenue. Projections of each subcategory have been made and are available to the Fiscal Affairs Committee on request. Table 6.2 describes local revenue projections. The sources are fewer and not as detailed because little data, other than that available from the Bureau of Census, is available on local governments in Montana.

In this study, we are concerned primarily with the projection of revenue to the year 1975 in terms of underlying economic trends. No attempt has been made to forecast year-by-year fluctuations in revenue due to short-run economic influences. The historic relationships between economic and demographic features of Montana and the major sources of government revenue are remarkably stable. It is believed that the method used in this study provides reasonable and reliable projections of state and local government revenues for Montana to the year 1975.

The projections in the study are based on the judgments of the fiscal affairs staff as to the nature of changes in the economic and demographic features of the state between now and 1975. They are the result of many hours of research, thought, and discussions with knowledgeable Montanans and economists as to the rates of growth which are likely to occur in in Montana's population and personal income between now and 1975. They are, in short judgment projections made on the basis of experience and reason by the fiscal affairs staff with the advise of others familiar with the state and the factors which control its growth.

Specifically we used the regression method to make most of the individual revenue source projections. The regression method itself is a statistical device which through the use of historical data, allows the establishment of numerical connections between economic and demographic data and the revenue base to be projected. The numerical connections produced from the regression method show numerically how a tax base grows or declines when the economic variables change. Once these numerical connections are established then projections of the tax base can be made through knowledge of the magnitude of the economic and demographic variables in the future year of interest--in our case 1975 is the year of interest. We used the National Planning Association projections for Montana in 1975 for real personal income. We relied on our own judgment and the judgment of others for projections of population, inflation and other economic and demographic variables we used to project tax bases. We used a population in 1975 of 710,000, a rate of inflation of 2.5 percent and a rate of real economic growth of 3.0 percent in making the projections.

State Government General Revenue Projections to 1975

Individual Income Tax. The individual income tax is the fastest growing source of revenue of the state government in Montana. Because of the progressive rate structure, income tax collections can be expected to

TABLE 6.1

State Government General Revenue

1. Individual Income Tax

2. Corporation License Tax

3. Property Tax

4. Motor Fuel Tax
   a. gasoline
   b. diesel

5. Motor Vehicle Taxes
   a. operator
   b. passenger car license
   c. truck and trailer licenses and gross vehicle weight fees

6. Sumptuary Taxes
   a. cigarettes
   b. liquor licenses
   c. liquor taxes
   d. beer licenses
   e. beer taxes

7. Severance Taxes
   a. oil production license tax
   b. metal mines license tax
   c. coal production tax
   e. vermiculite tax
   f. cement tax

8. Insurance Preminums Tax

9. Hunting and Fishing Licenses

10. Death and Gift Taxes

11. Public Utility Taxes
    a. electrical energy tax
    b. motor carriers gross receipts tax
    c. natural gas tax
    d. telephone license tax
    e. freight line company tax
    f. telegraph message tax

12. Current Charges
    a. tuition and fees at state universities
    b. auxiliary enterprises of universities
    c. natural resources

13. Interest Earnings

14. Fines and Forfeits

15. Rents and Royalties

16. Miscellaneous Charges and Revenues
    a. highways
    b. hospitals
    c. other current charges
    d. donations
    e. sale of property
    f. miscellaneous general revenue (not elsewhere classified)

17. Miscellaneous License Tax Revenue
    a. corporations in general
    b. occupations and business (not elsewhere classified}

18. Federal Aid to State
    a. education
    b. highways
    c. public welfare
    d. health and hospitals
    e. other

19. Revenue from Local Governments

Note: These categories follow the U.S. Bureau of the Census definitions.

TABLE 6.2

Local Government General Revenue

1. Property Taxes
2. Other Taxes
3. Charges and Miscellaneous Revenue
4. Revenue from the State Government
5. Revenue from the Federal Government

grow at a faster rate than does taxable income. State collections from the individual income tax amounted to $29.6 million in 1968 and are projected to be $67.5 million in 1975. This represents an average annual growth rate of over 12.5 percent in income tax collections between 1968 and 1975 with the rate structure which is currently in effect. The 1969 Legislature increased the rates and made them more progressive which magnifies the influence of increased taxable income on tax collections.

The method used to project individual income tax revenue is based on interpolating the distribution of taxable income from 1968 to 1975. The interpolation procedure takes account of the fact that as taxable income grows, taxable income per return increases. Historical data from 1961 to 1968 were used to determine the average increases in taxable income per return. Our general assessment of the procedure and data we used is that it is biased upward and the resulting projection of income tax revenue is on the high side. We could find no data to justify a lower projection but the dim economic outlook of the 1970s causes some concern on our part that this projections is too high. The fact of the matter is, we have no hard data to use to reflect our assessment of the situation.

Corporate License Tax. The corporate license tax is not as responsive to increases in economic activity as is the individual income tax. That is, revenue from this source does not grow faster than the growth in economic activity. This is a result of its structure and the flat rate or proportional tax which is applied to the income of corporations. The corporate license tax yielded $7.3 million in revenue to the state in 1968 and is expected to produce $12.1 million in 1975. This represents an average annual increase in tax revenue from the corporate license tax of 7.5 percent per year. We should caution that corporate profits are exceedingly volatile and can fluctuate widely from year-to-year. In any case over the period 1968 to 1975 the 7.5 percent growth rate seems reasonable.

Property Tax. Although the property tax has been deemphasized as a source of state revenue in recent years, it yielded over $7.6 million in state revenues in 1968. Based on the current rate of state property taxation and the projected rate of growth in the state property tax base, the property tax can be expected to yield $9.8 million in revenue to the state in 1975. This represents an average annual growth rate of only 3.7 percent per year. Property taxes in general are slow growth taxes. The tax base does not expand rapidly as general economic activity increases. Large increases in revenue from property taxes typically are the result of rate increases, not increases in the property tax base. Our projection does not include revenue from the two-mill general fund levy.

Motor Fuel Taxes. Motor fuel taxes were the second largest source of state tax revenue in 1968 and are expected to retain that position in 1975. Motor fuel taxes yielded $24.8 million in state revenue in 1968 and are expected to produce $31.3 million in tax revenue in 1975. This is an implied rate of growth of 3.4 percent per year in motor fuel tax collections. This estimate assumes that the gasoline tax will revert to 6.5 cents per gallon in 1971 as specified by the last legislature. If the rate were to continue at 7 cents per gallon, the revenue potential of this source of revenue would be greater.

Motor Vehicle Taxes. Motor vehicle taxes are a conglomerate of revenue from operator licenses, passenger car and truck licenses, and gross vehicle weight fees. Revenue from these sources amounted to $7.2 million in 1968 and is projected to yield $9.0 million in 1975. This is an implied rate of growth in revenue from these sources of 3.3 percent per year.

Sumptuary taxes. Sumptuary taxes are projected to be the slowest growing source of state revenue between 1968 and 1975. Sumptuary taxes are taxes on cigarettes, liquor, and beer. The projection is based on legislative measures which allow certain taxes to automatically revert to previous years' levels if no further action is taken. Revenue from sumptuary taxes amounted to $12.2 million in 1968 and are projected to be $13.2 million in 1975. If the beer tax is continued at its present level, the revenue potential from these sources is, of course, much greater. Revenue from consumptuary taxes is expected to grow at a rate of 1.1 percent per year.

Severance Taxes. Severance taxes are an important, although not a major source of state revenue. In 1968, $3.1 million was realized from the major state severance taxes. At the present rates of taxation, severance taxes will yield $4 million in revenue to the state in 1975. This is an implied growth in severance tax revenues of 3.7 percent per year. Taxes included in this category are the oil production license tax, the metal mines license tax, the coal production tax, the micaceous mineral tax, and the cement taxes.

Insurance Premium Tax. The insurance premimum tax is a tax of 2.75 percent of net insurance premiums collected in the state. Insurance premiums tax collections were $3.0 million in 1968. This tax is projected to produce $4.6 million in state revenues in 1975. This represents a growth rate of 6.3 percent per year.

Hunting and Fishing Licenses. Hunting and fishing license revenue is one of the categories for which the base of the tax could not readily be projected. Projecting the base would require projecting the number of hunters and fishermen purchasing each type of license and the number purchasing two as opposed to one deer tag. Because of the impossibility of sorting out and projecting the various hunting and fishing license bases, total revenue from this source was projected without subtracting the effect of rate changes on the data. Revenue from hunting and fishing licenses was $3.0 million in 1968 and is projected to be $3.5 million in 1975. The indicated growth rate in revenue from this source is 2.3 percent per year. The effect of rate changes on the projections does not appear to be great so the projection of revenue is not regarded as being an overstatement of state revenues from this source in 1975.

Death and Gift Taxes. Death and gift taxes are particularly hard to project because of the lack of relationship between the deaths of wealthy residents and other features of the state's economy. Over the long period, however, there is a rather stable relationship between population, personal income, and collections from death and gift taxes. Death and gift taxes amounted to $2.9 million in 1968 and are projected to reach 4.4 million by 1975. This implies a growth rate in revenue from this source of 6.1 percent per year.

Public Utility Taxes. Public utility taxes are electrical energy tax, the motor carriers gross receipts tax, the natural gas tax, the telephone license tax, the freight line company tax, and telegraph message tax. These revenue sources produced $1.9 million in 1968 and are expected to produce $2.6 million in 1975. The implied rate of growth in this projection is 4.6 percent per year.

Miscellaneous License Tax. Miscellaneous license taxes are the various occupation and business taxes collected by state agencies. Revenue from these sources amounted to $2.5 million in 1968 and is expected to grow at an annual rate of 6.9 percent to $4.0 million in 1975.

Current Charges. Current charges, as discussed in this study, does not conform exactly to the Bureau of the Census category of current charges. It was felt necessary to separate some items grouped by the Bureau of the Census to provide more detail in the projections of state revenues. Our category of current charges includes university system tuition and fees; auxiliary enterprises of the university system such as dormitory and food service charges; and natural resources charges such as sale of produce by experimental stations, hail insurance charges, and admission charges to state parks and recreational projects. Revenue from these sources amounted to $19.3 million in 1968 and is projected to $30.8 million in 1975. The average annual rate of growth in revenue implied by these projections is 6.9 percent.

Interest Earnings. Interest earnings on state investments was projected by extrapolating from past interest earnings. Interest earnings accounted for $4.2 million in 1968 and is projected to yield $4.7 million in 1975. The implied rate of growth in revenue from this source is 1.4 percent per year.

Fines and Forfeits. Fines and forfeits are penalties imposed for violation of the law and forfeits of amounts on deposit as performance guarantees. The state received $537,000 from this source in 1968 and it is expected to yield $716,000 in 1975. The growth rate in revenue from this source is 4.2 percent per year.

Rents and Royalties. Rents and royalites are a major source of revenue to the state government in Montana. This category includes rents from the lease of state properties, mineral leases, royalties derived from state lands and rentals not strictly related to a specified government function. Rents and royalties yielded $9.5 million in state revenue in 1968 and are projected to grow at an average annual rate of 5.6 percent per year. This would mean revenue amounting to $13.9 million in 1975.

Miscellaneous Charges and Revenues. This category contains minor charges for highway use and hospitals, donations to state institutions, sale of state property, and miscellaneous charges not elsewhere classified. The state received $3.7 million from these sources in 1968 and is projected to receive $5.8 million from these sources in 1975. The growth rate implied from the analysis of this category is 6.6 percent per year.

Total Own General Revenue. Total own general revenue, the sum of the categories discussed, thus far, yielded $142.3 million in 1968. Total general revenue from own sources is projected to reach $221.8 million by 1975.

Total state general revenue is this amount plus revenue from the federal government and revenue from local governments. Both of these categories of revenue are extremely hard to predict.

Intergovernmental Revenue. In order to project federal aid to 1975, the advice of several state administrative agencies was solicited. Some agencies were fairly certain of the pattern federal aid would take over the next few years with respect to their agencies. Others had no idea what to expect because of policy and administrative changes in Washington. The information available from state agencies was used in this analysis and best guesses were used where no information was available. Federal aid to the state was $83.7 million in 1968. It is projected to increase at an average annual rate of 3.7 percent and reach $107.7 million in 1975. Transfers from local governments to the state government were $2.6 million in 1968 and are expected to by $3.5 million in 1975. The average annual growth rate implied in this projection is 4.3 percent.

Total general revenue of the state government was $228.6 million in 1968. It is expected to grow by 5.5 percent per year and reach $333.0 million by 1975. This is the amount of money available to the state government from general sources for the discharge of state obligations.

Table 6.3 shows general revenue to the state government for 1968, the projections to 1975, and the growth rates implied in the projection of each component and total general revenue.

TABLE 6.3

Montana State Government General Revenue in 1968 and Projections to 1975

Source	1968	1975	Percent Average Annual Growth Rate
	(Millions of Dollars)		
Individual Income Tax	29.6	67.5	12.5
Corporate License Tax	7.3	12.1	7.5
Property Tax	7.6	9.8	3.7
Motor Fuel Tax	24.8	31.3	3.4
Motor Vehicle Taxes	7.2	9.0	3.3
Sumptuary Taxes	12.2	13.2	1.1
Severance Taxes	3.1	4.0	3.7
Insurance Premiums Tax	3.0	4.6	6.3
Hunting and Fishing Licenses	3.0	3.5	2.3
Death and Gift Taxes	2.9	4.4	6.1
Public Utility Taxes	1.9	2.6	4.6
Miscellaneous License Taxes	2.5	4.0	6.9
Current Charges	19.3	30.8	6.9
Interest Earnings	4.2	4.7	1.4
Fines and Forfeits	.5	.7	4.2
Rents and Royalties	9.5	13.9	5.6
Miscellaneous Charges and Revenues	3.7	5.8	6.6
Revenue from Federal Government	83.7	107.7	3.7
Revenue from Local Governments	2.6	3.5	4.3
Total General Revenue	228.7	333.0	5.4

Source: Montana Fiscal Affairs Study.

Note: Details may not add to totals due to rounding.

Local Government General Revenue Projections to 1975

Local government general revenue is classified by the Bureau of the Census into three categories: property taxes, charges and licenses, and intergovernmental revenue. Five categories of revenue are projected in this analysis.

Property Taxes. Property taxes are the largest source of revenue to local government in Montana. Local government property taxes were $133.5 million in 1968. If property tax rates remain the same and if the property tax base bears the same relationship to economic and demographic features of the state that it did in previous years, revenue from the property tax should yield $177.3 million to local governments in 1975. This represents an implied growth rate in property tax revenue of 4.1 percent per year.

Other Taxes. This category includes taxes which are shared with the state government and license taxes collected by local governments. Revenue from this source was $5.3 million in 1968 and will grow at a rate of 2.3 percent per year to yield $6.2 million in local government revenue in 1975. It was not possible to separate changes in tax rates from changes in the tax base in this revenue category. Because of this, it is likely that revenue from this source is lightly over-stated.

Charges and Miscellaneous Revenue. Charges and miscellaneous general revenue yielded $29.5 million to local governments in Montana in 1968. This category includes charges for services rendered by local governments such as school lunch programs and revenue from other miscellaneous sources such as interest on investments, and rents. This source is expected to produce $46.4 million in local government revenue in 1975. This is an average annual rate of growth in revenue of 6.7 percent per year.

Federal Aid to Local Governments. Federal aid to local governments in Montana is primarily in the form of aid to local public schools. Total federal aid amounted to $4.9 million in 1968 and is expected to grow at a rate of 4.9 percent per year. Thus, federal aid to local governments will be $6.8 million in 1975.

State Aid to Local Governments. State aid to local governments is one of the most important and volatile of the sources of revenue to local units of government. The largest part of state aid to local government is provided through the school foundation program. The effects of this program on local government are varied. The state portion of the school foundation program influences the quality of education and indirectly affects the level and quality of other local government services. State aid to local schools has been projected independently of other state aid because of its importance. In order to be relatively consistent with other projections in this chapter, the projection of state aid to local governments assumes no change in the programs of aid to local government and that same relationship between local expenditure and state aid will exist in 1975 as exists now. Total state aid to local governments was $38.3 million in 1968. It is projected to be $58.9 million in 1975. The implied growth rate in revenue to local governments is 6.3 percent per year. It should be noted that if the school foundation program funding changes, there are broad implications for these projections. For example, if the state fully funds it commitment to the foundation program, there will be several ramifications. State expenditures will be increased with the same projected increase in the state tax base resulting in a larger state deficit if school budgets are not changed because of full state funding of the foundation program, local mill levies will fall by the amount of the deficiency levies. Local revenue and local expenditure relationships will remain constant if mill levies for other local purposes are not increased.

Table 6.4 shows the revenue to local governments from each source in 1968, projected revenue to 1975, and the growth rates in revenue from each source.

State to local payments and local to state payments must be subtracted to avoid double counting when deriving total state-local general revenue. Total state-local general revenue was $399.2 million in 1968. It is projected to be $566.2 million in 1975. The implied growth rate in total general revenue of Montana state and local governments is 5.1 percent per year.

State and Local Government General Expenditure Projections

The expenditure projections in this study are based on relationships existing between economic and demographic variables and government expenditures. Although the variables used are similar to those employed for making revenue projections, the method is different in several respects. The historic relationships between Montana revenue sources and economic and demographic features of the state were used to obtain regression equations suitable for predicting state and local revenue. Once the regression equations were obtained through the statistical analysis, expected population, personal income, and other variables were simply put into equations to produce the expected revenue bases in 1975. Current tax rates were then applied to these bases to produce expected revenue in 1975 with current tax rates.

The analysis of expenditures also rests on multiple regression analysis. The experience of other states was drawn on to predict the level of expenditures in Montana in 1975.

Numerous studies have been conducted by economists and other social scientists to identify the determinants of state and local government expenditures. These studies have all used Census Bureau data for the analysis as does this study. The analysis involves isolating the economic and demographic features of states which explain why per capita government expenditures differ among states. Past studies and this study show that the main

TABLE 6.4

Local Government General Revenue in Montana
1968 and 1975

	1968	1975	Growth Rate
	(Millions of Dollars)		(Percent)
Property Taxes	$133.5	$177.3	4.1
Other Taxes	5.3	6.2	2.3
Charges and Miscellaneous Revenue	29.5	46.4	6.7
Federal Aid	4.9	6.8	4.9
State Aid	38.3	58.9	6.3
Total General Revenue	$211.5	$295.6	4.9

Source: Montana Fiscal Affairs Study.

Note: Details may not add to totals because of rounding.

determinants of differences in per capita government expenditure among states are per capita personal income, per capita federal aid, population density and to some extent, the percent of the state's population that lives in urban areas. Using multiple regression analysis of per capita expenditure data for the forty-eight coterminous states, regression equations are obtained which may be used to predict state and local per capita expenditure. In this analysis, a time trend variable has also been introduced to account for expenditure differences which occur over time that are not accounted for by the other variables used in the analysis.

An example of this type of analysis may be helpful. The regression analysis produced the following equation for total direct general expenditure per capita: Total direct general expenditure per capita= $.842x_1 + .130x_2 - .068x_3 + 1.78x_4 - \$39.35$ where:

x_1 = Time
x_2 = Per Capita Personal Income
x_3 = Population Density
x_4 = Federal Aid Per Capita

Putting the values of the four variables for any state into the regression equation tells us what government expenditure per capita in that state should be. By putting Montana values into the equation for each year from 1964 to 1967, we obtain the per capita expenditure the regression predicts for Montana. In each case, the regression equation predicted a higher level of expenditures per capita in Montana than actually exists. The largest error was only 4 percent, however. This indicates that Montana receives slightly less in government expenditures than would a typical, homogenous group of Americans living in a state possessing the same economic and demographic features as Montana. This is important for projecting expenditure levels because it must be assumed that Montana's expenditure level will continue to be overstated by the regression equation derived from the statistical analysis. The average overstatement of per capita expenditure for the four years tested was 1.4 percent. Consequently, the projection of per capita expenditure to 1975 has been reduced by 1.4 percent. If Montanans continue to demand a level of spending below the implied national average for the features of the state, our expenditure projections will be about right, assuming we have correctly predicted population and personal income for 1975. If Montanans are expected to demand a level of spending which would be average for a state with Montana's characteristics, our expenditure projection will be low. In any event, the projection should be very close to the actual level of government expenditure in 1975, assuming that our population and income projections are correct.

Thirteen categories of state and local expenditure have been projected for Montana. Some of the categories contain only expenditures of the state government, some only expenditures made by local units of government, and some categories are aggregates of state and local government expenditures. In this section, total state and local expenditure projections are discussed. In later sections, these categories are divided into expenditures of state and of local governments.

A clearer picture of the fiscal pressures on the various levels of government in the state will be presented at that time.

Combined State and Local General Expenditure Projections

Higher Education. For this category of expenditure it was possible to make a projection based soley on state data. Thus avoiding use of the regression analysis. It was assumed that real expenditure per student would be the same in 1975 as it was in 1968. An average rate of inflation of 2.5 percent was then added to this figure. This rate of inflation in government spending for higher education from 1968 to 1975 is probably conservative. However, this rate is currently being used by various government agencies to project economic data to 1980. Multiplying expenditure per pupil by the projected enrollment in the university system in 1975 produces total expenditure for higher education of $83.4 million. It should be noted explicitely that we used university system enrollment projections prepared by the secretary of the university system. Expenditure for higher education was $47.7 million in 1968 so the implied growth in expenditure for this category is 8.3 percent per year.

Highway Expenditure. The regression equation overstated Montana's highway expenditure in three of the four years tested. The average error was 2.2 percent meaning Montana spends 2.2 precent less on highways than would be expected from the regression equation. Highway expenditure was $88.0 million in Montana in 1968. It is predicted to be $125.8 million in 1975. Expenditure for highways is projected to grow at an average annual rate of 5.2 percent per year.

Public Welfare Expenditure. Public welare expenditure by state and local governments amounted to $24.6 million in Montana in 1968. The regression equation understated public welfare expenditure in Montana in each year tested. Public welfare expenditure is projected to be $35.6 million in 1975. This implies a growth in expenditure for public welfare of 5.4 percent per year.

Local Schools Expenditure. Local schools expenditure is the largest category of state and local spending in Montana. It amounted to $111.1 million in 1968 and is projected to reach $174.3 million dollars in 1975. The implied rate of growth in expenditure for local schools is 6.6 percent per year. The regression equation predicted a lower level of spending than actually occurred in Montana for each year tested.

Health and Hospital Expenditure. Health and hospital expenditure is one of the hardest categories to predict. In 1968 health and hospital expenditure in Montana was $15.9 million. The regression equation overstated expenditure for this category in every year tested. After adjusting the projected expenditure for Montana downward by some 20 percent, projected expenditure for health and hospitals totals $25.4 million. The average annual rate of growth implied by this projection is 6.9 percent per year.

Sewerage and Sanitation. Sewerage and sanitation expenditure, primarily a local function in Montana, was $8.3 million in 1968. After adjusting the projection downward, as the regression equation overpredicted expenditure in each year tested by an average of 12 percent, the projected expenditure in Montana in 1975 is $8.9 million. The growth rate in expenditure is 1.0 percent per year.

Fire Protection Expenditure. Expenditure for fire protection, another local category of expenditure, was $3.2 million in 1968. Again, the regression equation predicted a higher level of expenditure than occured in the state in every year tested. After adjusting by the average error in predicting expenditure for this category (6.5 percent), expenditure is projected to be $5.5 million in 1975.

This implies expenditure for fire protection will grow at an average rate of 8.0 percent per year to 1975.

Police Protection Expenditure. Expenditure for police protection in Montana was $8.0 million in 1968 and is projected to be $14.4 million in 1975. This implies a growth in expenditure for police protection of 8.8 percent per year. Expenditure for police protection in the years 1964-67 averaged 8.0 percent above that amount predicted by the regression equation.

General Control. General control consists of the general operating costs of government. Courts, records, and other administrative costs of government are included in this category. Expenditure for general control by state and local governments in Montana amounted to $6.9 million in 1968. It is projected to reach $11.2 million in 1975. The regression equation understated expenditure for general control in every period tested. On the average, general control expenditure exceeded that predicted by the regression equation by 8.3 percent. The growth rate projected for expenditure in this category is 7.2 percent per year.

Local Parks and Recreation Expenditure. Spending for local parks and recreation was $2.5 million in 1968. Expenditure for these services is projected to grow rather rapidly over the next few years (9.4 percent per year) and reach $4.7 million by 1975. The regression equation overpredicted spending in Montana for parks and recreation in every year tested. For the years 1964-67, on the average Montanans enjoyed 32 percent less expenditure in this area than was indicated by the regression equation.

Financial Administration Expenditure and Interest on Debt. Financial administration includes tax administration, accounting, budgeting, auditing, and other activities of state and local government having to do with government finance. Another category, interest on debt, has been combined with this category because of the relatively small size of each. In 1968 these two categories accounted for $15.3 million in state and local expenditures. The regression equation understated expenditure in Montana in each of the four years tested indicated Montana spends more for these categories than would be expected. After correcting for the predicting error, state and local governments in Montana are projected to spend $26.5 million in debt services and financial administration in 1975. This is an average annual rate of growth in expenditure of 8.2 percent.

All Other General Expenditure. This category includes all general expenditure of state and local governments not classified in one of the categories listed above. These miscellaneous expenditures amounted to $52.0 million in 1968 and should reach $82.9 million in 1975. Montana spent more for these miscellaneous items than was predicted by the regression equation in each of the four years tested. The growth rate of expenditures implied by the projection is 6.9 percent per year.

Total State and Local General Expenditure. The sum of the categories discussed above is total direct general expenditure by state and local governments in Montana. This amount was $383.4 million in 1968 and is projected to be $598.6 million in 1975. The average annual percentage rate of increase in total direct general expenditure of state and local governments in Montana is 6.6 percent. Table 6.5 shows total direct general expenditure of state and local governments in Montana in 1968, projected expenditure to 1975, and the implied growth rates in general expenditure in each category.

Total general revenue of state and local governments was projected to be $566.2 million in 1975. With expenditures at $598.6 million in 1975, the difference in general expenditures over general revenue is $32.4 million. This amount does not represent a deficit in the normal sense of the term. It must be remembered that lack of good data from state and local sources has necessitated the use of the Census Bureau data in making these expenditure projections and the Census Bureau system of accounts is not designed to balance in any given year. General revenue and direct general expenditure can not be expected to be equal in a given year for a number of reasons. One reason is that government spending arising from bond issues counts as general expenditure but revenue from the sale of government bonds does not count as general revenue. For example, in 1953 there was a veteran's bonus of $20.6 million paid to veterans. The debt was issued to make the payment and the state retired the bonds over a period of a decade. Thus, there was a large negative difference between total general revenue and total general expenditure in 1953. But following 1953, the larger expenditures were not being made but revenue was collected to pay the debt service. So following 1953, the veteran's bonus debt retirement and debt service revenue had the effect of making total general revenue minus total direct general expenditure positive. The same general situation has and will occur with the state long-range building program. Another reason is that intergovernmental aid is counted as general revenue in the fiscal year in which it is received even though it may not be spent in that fiscal year and, therefore, would not show up in state or local direct general expenditure.

TABLE 6.5

Montana State and Local Government
Direct General Expenditure in 1968 and 1975

Expenditure	1968	1975	Growth Rate
	(Millions of Dollars)		(Percent)
Higher Education	$ 47.7	$ 83.4	8.3
Highways	88.0	125.8	5.2
Public Welfare	24.6	35.6	5.4
Local Schools	111.1	174.3	6.6
Health and Hospitals	15.9	25.4	6.9
Sewerage and Sanitation	8.3	8.9	1.0
Fire Protection	3.2	5.5	8.0
Police Protection	8.0	14.4	8.8
General Control	6.9	11.2	7.2
Local Parks and Recreation	2.5	4.7	9.4
Financial Administration and Interest on Debt	15.3	26.5	8.2
Other Direct General Expenditure	52.0	82.9	6.9
Total Direct General Expenditure	383.4	598.6	6.6

Source: Montana Fiscal Affairs Study.

Note: Details may not add to totals due to rounding.

Table 6.6 shows total state and local general revenue and direct general expenditure for a number of years. Total general revenue exceeded total direct general expenditure in three of the four years from 1964 to 1968. Total direct general expenditure is expected to exceed total general revenue by $32.4 million in 1975.

The difference between revenue and expenditure from 1964 to 1968 in Table 6.6 shown in column four represent factors other than deficits or surpluses in current accounts. Legal requirements on both the state government and local governments specify that budgets can not be out of balance. Over the long run, for a number of years, total general revenue and total direct general expenditure should balance. From 1964 to 1968 the average annual difference between general revenue and general expenditure was only $1.8 million.

The question arises concerning what we might expect the difference between general revenue and direct general expenditure to be in 1975 under conditions of balanced budgets assuming that expenditures were kept in line with the growth in revenue with no tax rate changes. If that difference were known, we could then determine precisely what the revenue deficit would be in 1975 due solely to inadequacy of the tax and revenue bases.

Because of the poor quality of data on debt financing of state and local governments in Montana and the resulting deficiencies in the Bureau of the Census data, we cannot pin down with a high degree of precision the extent of capital outlays made in a given year which do not have a corresponding entry on the revenue side of the ledger. However, the differences between general revenue and direct general expenditures have been historically small in Montana as can be see in Table 6.6. The shortfall of revenue in 1975 of state and local governments combined will be very close to the $32.4 million specified by our projection in Table 6.6. We believe that the $32.4 million deficit in revenue is a serviceable projection of the amount of additional annual revenue, that will have to be raised through tax rate increases and/or increases in charges for government services if expenditure demands of Montanans are to be met in fiscal 1975.

Additionally, we believe that this difference is the minimum revenue deficiency that could be justified by the assumptions we made and the methods we used in making the projections. We believe that the revenue projections are as high as they can be expected to be and the expenditure projections are on the conservative side.

State Government General Revenue and General Expenditure Projections

It was pointed out in the last section that total state and local direct general expenditure will exceed total state and local general revenue by $32.4 million in 1975. It was also noted that direct general expenditures exceeded general revenues only in one of the last four years in Montana. The distribution of this difference among state and local units is as important as its existance. Several categories of expenditure

TABLE 6.6

Montana State and Local Government General Revenue and Direct General Expenditure 1964 to 1968 and 1975

Year	Total General Revenue	Total Direct General Expenditure	General Revenue Minus Direct General Expenditure
	(Millions of Dollars)		
1964	$302.4	$301.5	0.9
1965	322.3	327.2	- 4.9
1966	347.6	345.3	2.3
1967	360.0	357.0	3.0
1968	390.9	383.4	7.5
1975	566.2	598.6	-32.4

Sources: Government Finances, 1964-68 (U.S. Dept. of Commerce, Bureau of the Census).

Montana Fiscal Affairs Study.

are relatively easy to identify as being made by either state or local governments. Practically all higher education expenditure, as classified by the Census Bureau, is state spending. All spending for local schools, local parks and recreation, sewerage and sanitation, and fire protection is done by local units of government. For other expenditure categories, the assumption was made that the same distribution of spending between state and local governments will exist in 1975 as existed in 1968. Table 6.7 shows state direct general expenditure by category for 1975.

Total general expenditure of the state government should reach $351.4 million by 1975. This implies a growth rate of 6.4 percent per year in general expenditure of the state government. Total general revenue of the state government in 1975 was projected to be curtail aid to local governments. It is worthy of note that the state government of Montana would not be faced with any serious fiscal problems if it were not for the monetary assistance it provides to local units of government in the state, principally the school foundation program aid. The solution to state fiscal pressures is not to curtail local aid, however, as this would place a larger burden on levels of government dependent on only one major source of revenue. It is unlikely that local units of government will be able to provide an adequate level of services in the future based almost wholly on property taxation even if state aid progresses at the same rate as it has in the past.

Local Government General Revenue and General Expenditure

Table 6.9 shows the projections of local government expenditures to 1975. Total general expenditures of local governments are expected to reach $309.7 million by 1975, a growth rate of 6.7 percent per year. Local government general revenue was projected to reach $295.6 million by 1975, a growth rate of 4.9 percent per year. Table 6.10 shows the historic relationship between local government general revenue and general expenditure. By 1975 general expenditures of local governments are expected to exceed general revenues by more than $14 million. The main reason for this divergence appears to be the slow growth in the property tax base coupled with rapid growth in local school expenditures.

Summary of Revenue and Expenditure Projections

The conclusion to be drawn from the projections of revenues and expenditures of state and local governments in Montana is that state and local governments will need about $32.4 million additional revenue to finance their expenditures by fiscal 1975. The revenue projection assumes that tax bases will grow as they have in the past in relation to changes in economic and demographic variables. Tax rates used to make revenue projections were those rates in existence presently, and those rates in fiscal 1971-72 which are scheduled to automatically revert to some specified level at the end of the current biennium. The expenditure projection assumes that Montanans will continue to demand government services at a level comparable to those of the average of the rest of the states given the peculiar economic and demographic

TABLE 6.7

State Government General Expenditures
1968 and 1975

Category	1968	1975	Percent Rate
	(Millions of Dollars)		(Percent)
Higher Education	$ 47.7	$ 83.4	8.3
Highways	71.2	101.7	5.2
Public Welfare	19.4	28.1	5.4
Local Schools	-----	-----	---
Health and Hospitals	10.3	16.5	7.0
Sewerage and Sanitation	-----	-----	---
Police Protection	2.1	3.8	8.8
Fire Protection	-----	-----	---
General Control	1.6	2.6	---
Local Parks and Recreation	-----	-----	---
Financial Administration and Interest on Debt	7.3	12.6	7.2
Other General Expenditure	29.8	43.8	5.7
Intergovernmental Expenditure	38.3	58.9	6.3
Total General Expenditure	227.8	351.4	6.4

Sources: Governmental Finances in 1963-64 and subsequent years (U.S. Dept. of Commerce, Bureau of the Census.)

Montana Fiscal Affairs Study.

TABLE 6.8

State Government General Revenue and General Expenditure 1964 to 1968 and 1975

Year	Total General Revenue	Total Direct General Expenditure	General Revenue Minus Direct General Expenditure
	(Millions of Dollars)		
1964	$172.4	$174.3	$- 1.9
1965	187.3	189.8	- 2.5
1966	203.7	202.7	1.0
1967	210.9	209.2	1.7
1968	228.7	227.8	.9
1975	333.0	351.4	-18.4

Sources: Governmental Finances in 1963-64 and subsequent years (U.S. Dept. of Commerce, Bureau of the Census).

Montana Fiscal Affairs Study.

TABLE 6.9

Local Government General Expenditures
1968 and 1975

Category	1968	1975	Growth Rate
	(Millions of Dollars)		(Percent)
Higher Education	-----	-----	---
Highways	$ 16.8	$ 24.0	5.2
Public Welfare	5.2	7.5	5.4
Local Schools	111.1	174.3	6.6
Health and Hospitals	5.6	8.9	6.8
Sewerage and Sanitation	8.3	9.2	1.5
Police Protection	5.9	10.6	8.7
Fire Protection	3.2	5.5	8.0
General Control	5.3	8.6	7.2
Local Parks and Recreation	2.5	4.7	9.4
Financial Administration and Interest on Debt	8.0	13.8	8.1
Other General Expenditure	22.2	39.1	8.4
Intergovernmental Expenditure	2.6	3.5	4.3
Total General Expenditure	196.7	309.7	6.7

Source: Montana Fiscal Affairs Study.

Note: Details may not add to totals due to rounding.

features of Montana itself. Specifically, our projection method projects the expenditure level demanded by a homogenous group of Americans living in Montana. But our projection showed initially that typical Americans would demand slightly (1.4 percent) more expenditures per person than Montanans demand. Our projections were adjusted downward to account for the difference between Montanans and typical Americans.

According to our projection the state government will need about \$18.4 million additional revenue to finance its expenditures by fiscal 1975. This projection assumes that the state will continue to finance the existing state share of local school expenditures through 1975. Of course, if the state increased its share of financing of local schools, the deficit would rise by a similar amount. (see Table 6.8)

Local units of government will need about \$14.1 million additional revenue to finance their expenditures by 1975 (see Table 6.10). If the state should increase its contribution to local school financing, and school budget levels do not increase because of it, property levies would decline. Without increasing property levies for other local purposes, the local revenue deficiency of \$14.1 million would not change. By 1975, mill levies would have to increase 8 percent to raise \$14.1 million.

TABLE 6.10

Local Government General Revenue and Direct General Expenditure 1964 to 1968 and 1975

Year	Total General Revenue	Total Direct General Expenditure	General Revenue Minus Direct General Expenditure
	(Millions of Dollars)		
1964	$157.3	$154.6	$ 2.7
1965	166.9	169.4	- 2.5
1966	179.4	178.1	1.3
1967	184.1	182.8	1.3
1968	203.2	197.0	6.2
1975	295.6	309.7	-14.1

Source: Montana Fiscal Affairs Study.

PART III

ELEMENTS OF MONTANA TAX SYSTEM

Chapter 7 Incidence of Montana Taxes

Chapter 8 The Individual Income Tax

Chapter 9 The Property Tax

Chapter 10 Business Taxation

Chapter 11 Highway User Taxes

Chapter 12 Taxes on Tobacco Products, Alcoholic Beverages, and Parimutuals

CHAPTER 7 INCIDENCE OF MONTANA TAXES

CHAPTER 7

INCIDENCE OF MONTANA TAXES

Introduction

How the cost of government should be allocated among taxpayers is a question of prime importance in Montana fiscal policy. The answer to the question does not have a foundation in objective economic analysis. Consequently, the analysis in this chapter is designed to shed some light on how the cost of government "is" currently allocated. Hopefully, those who make decisions about how such costs "should" be allocated will then have a knowledge of where the burden currently rests.

Several doctrines regarding the distribution of tax burdens have emerged from the long history of taxation. One doctrine holds that the tax burden should be allocated among taxpayers according to the benefits they receive from government expenditures. Highway user taxes are often given as the classic example of benefit based levies. Motor fuel taxes levied on a gallonage basis are purported to measure highway use under the assumption that highway use is proportional to the number of gallons of motor fuel used by the taxpayer. But, the imposition of uniform levies on motor fuel, registration, and licensing of motor vehicles is at best a crude measure of benefits to individual taxpayers in relation to the costs of highways and streets.

More important limitations exist with the strict application of the benefit principal of allocating the costs of government. Strict application of the benefit approach would deny use of government services to those who could not bear the cost of those services and it would ignore indirect benefits not associated with actual use of government services. These two factors have contributed to wide acceptance of the approach to allocating tax burden among taxpayers according to some measure of ability-to-pay. It would make little sense for example, to charge on a cost basis for public welfare and health services because the reason for government service in the first place is to provide assistance to those who cannot afford them. Also, because it is established government policy to provide a minimum number of years of schooling to the population, financing of elementary and secondary education is for the most part designed to provide each child access to those government services without reference to the recipient's ability-to-pay for them. It is clear that in the cases of welfare, health, and education, these government services play an important role in equalizing the economic well-being among persons with varying economic means.

Although a high proportion of government expenditures are provided irrespective of the recipient's ability to pay for them, ability-to-pay has gained wide acceptance among citizens for allocating tax burden. But there are differences among people in the relation of tax payments to the level of income. Some people advocate that taxes paid should vary in proportion to income so that taxes paid are a constant percentage of income. In this case, those with higher incomes still pay more than those with lower incomes. Others favor progressive taxation so that taxes paid are a higher percent of income for higher incomes. In this case, those with higher incomes not only pay more taxes than those with low incomes but they pay a higher percent of their income in taxes. Some people advocate regressive taxation which extracts a lower percent of income the higher the income level. In this case it is possible for high income taxpayers to pay less, the same, or more taxes than low income taxpayers. It is possible for a high income taxpayer to pay more taxes than a low income taxpayer, but if the tax is regressive, the high income taxpayer would pay less tax as a percent of his income than the low income taxpayer.

Regressive Taxation and Public Expenditure Benefits

It is not well understood in evaluation of regressive, proportional, and progressive distributions of tax burden that high income taxpayers generally pay more taxes in absolute dollar terms than low income taxpayers. The full implications of higher taxes in dollar terms are important in state and local fiscal policy and they should be clearly understood. An example will perhaps serve the purpose of illustrating these implications.

First, it is instructive to illustrate the difference between the absolute and relative relationships of a tax by income levels.

Table 7.1 shows that although the tax paid as a percent of income falls from 3.3 percent at $3,000 to 2.0 percent at $50,000, the tax payer with $50,000 income paid taxes in absolute amount ten times larger than the taxpayer with $3,000 income. The example used was a flat rate income tax. The same illustration could have been provided for progressive and proportional taxes. However, the example is only hypothetical in nature and was prepared to show that a tax which is regressive throughout all income levels can result and generally does result in the high income taxpayers paying a larger absolute tax in dollar terms. Even more important is the implication of the higher tax in dollar terms paid by the high income taxpayer.

Most tax studies have approached the consideration of equity in taxation without making reference to the way in which government expenditures are distributed among income classes. In doing so they have ignored probably the most important aspect of government activity in terms of its equity among taxpayers. Identification of government expenditure benefits has generally been ignored because of the serious conceptual problems encountered in estimation.

One purpose of state and local government activity is to provide low-income families with essential services they cannot afford. That every child in Montana should have a basic minimum education is guaranteed by

TABLE 7.1

Relation Between the Absolute Tax and Tax Relative to Income for a Regressive Tax

Income Level	Amount of Income Subject to Taxation	A Five Percent Flat Rate Tax	Tax as Percent of Income
$ 3,000	$ 2,000	$ 100	3.3
7,000	4,100	205	2.9
12,000	6,000	300	2.5
25,000	11,200	560	2.2
50,000	20,000	1,000	2.0

Source: Montana Fiscal Affairs Study

funds provided through the state foundation program and by state law requiring each child to attend school until some specified age. This social judgment has been made and it has been verified and implemented through the political process. Financing education provides a good example of how expenditure benefits relate to tax burdens. Although it is virtually impossible to determine expenditure benefits because they may not all rest with the recipient, it is assumed that expenditures in behalf of recipients represent expenditure benefits of those recipients.

To carry our hypothetical example further, let us assume that there were five taxpayers, one with each of the five levels of income and they paid a total of $2,165 in taxes as shown in Table 7.2. For simplicity, assume further that each taxpayer had one child in a school which budgeted $433 per student. The $433 per student totally exhausts the revenue derived from the tax.

Table 7.2 shows that each taxpayer received a benefit of $433 for the education of his child. It also shows that benefit as a percent of each taxpayer's income and the excess of benefit over tax cost for each taxpayer. The benefit of expenditure as a percent of income declines from 14.4 percent for the taxpayer with $3,000 income down to 0.9 percent for the taxpayer with $50,000 income. It should also be noted in our example that benefits received minus taxes paid were $900 higher for the taxpayer with $3,000 income than for the taxpayer with $50,000 income. There was a net gain of $333 for the taxpayer with $3,000 income and a net loss of $567 for the taxpayer with $50,000 income.

Such a tax and expenditure system redistributes income in favor of the poor in spite of the fact that the tax is a regressive one. Table 7.3 shows that if expenditure benefits were distributed among income levels in a pattern identical to tax burdens, the resulting distribution would indeed be regressive. However, as shown in Table 7.3, expenditure benefits are distributed in favor of low-income taxpayers. This results in a net redistribution of income in favor of low-income taxpayers in spite of their higher tax burden as a percent of income.

Two empirical studies have investigated the question of incidence of both taxation and expenditures of state and local governments for all states combined. Table 7.4 shows the results of the Tax Foundation Study. It shows that in the lowest income class benefits of state and local government expenditures as a percent of income exceeded state and local taxes as a percent of income by 19.6 percent in 1961. On the other hand, in the highest income class, expenditure benefits as a percent of income fell short of state and local taxes as a percent of income by 3.3 percent in 1961. The results of this study are very similar to the example given in Table 7.4 and the same interpretation is valid. To show the magnitudes of additional taxes and additional expenditure benefits, a hypothetical uniform increase in existing state and local taxes of 10 percent was assumed. Further, it was assumed that the expenditure benefits would be distributed according to the existing national pattern of state and local expenditure benefits among income classes. The additional state and local taxes per family in each income class were computed and the additional state and local expenditure benefits per family by income class were computed.

TABLE 7.2

A Hypothetical Example of the Relation of Expenditure Benefits To Tax Burdens

Income Level	Number of School Children	Total Benefit Based on a Cost Per Student of $433	Total Benefit As Percent of Income	The Excess of Benefit Over Tax Cost
$ 3,000	1	$ 433	14.4	$ 333
7,000	1	433	6.2	228
12,000	1	433	3.6	133
25,000	1	433	1.7	-127
50,000	1	433	0.9	-567
Total	-	2,165	---	----

Source: Montana Fiscal Affairs Study.

TABLE 7.3

The Net Redistribution of Income Due to a Hypothetical Tax and Expenditure Program

Income Level	Tax Paid As Percent of Income	Expenditure Benefits Revised As Percent of Income	Net Redistribution of Income (Benefits Received less Taxes Paid) As Percent of Income
$ 3,000	3.3	14.4	+11.1
7,000	2.9	6.2	+ 3.3
12,000	2.5	3.6	+ 1.1
25,000	2.2	1.7	- 0.5
50,000	2.0	0.9	- 1.1

Source: Montana Fiscal Affairs Study.

Column 4 of Table 7.4 shows the percent by which the additional expenditure benefits exceed the additional taxes. Thus, state and local taxes are increased uniformly by 10 percent in all income brackets and all the additional revenue is spent in accordance with the existing national distribution of state and local expenditure benefits over all income classes. The increased expenditure benefits in the under $2,000 income class will be 157 percent above the increased taxes in that income class. On the other hand, the increased expenditure benefits will be 38 percent below the increased taxes in the highest income class.

Table 7.5 shows the results of the Brooking's study done by W. Irwin Gillespie in 1966. The results of the Brookings study are much more dramatic than those of the Tax Foundation Study. The Brookings study shows a net redistribution of income in favor of the persons in the lowest income bracket amounting to 31.1 percent of their income. The conclusions of the Brookings study are very illuminating and therefore are reported here.

> The federal pattern of fiscal incidence generally favors low incomes, burdens high incomes, and is mainly neutral over a wide middle income range. The state and local pattern also favors low incomes, but it is essentially neutral over both the middle and upper income ranges. A comparison of the two patterns controverts the conventional view that the state-local tax structure is regressive and the federal tax structure progressive; indeed, just the reverse is true, for in net terms, the state-local structure grants larger benefits to the lower income range than does the federal. At the state-local level, a sharply "pro-poor" expenditure schedule outweighs a "pro-rich" tax schedule, resulting in a net pattern which is "pro-poor" over the low income ranges. Moreover, it appears that at the state-local level there is little or no redistribution above $5,000. The presumed regressive nature of the state-local fiscal structure (based upon an analysis of taxes) is greatly mitigated if the total picture is considered.[1]

The evidence provided in the two studies cited above support the Galbraith hypothesis that state and local expenditure systems are progressive in their impact.

It should be clear that consideration of the incidence of taxes alone would be serious deficiency in a tax study. The total or combined impact of taxes and expenditures is of crucial importance in evaluating how the cost of government should be allocated among taxpayers.[2] If the Brookings

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[1] Irwin W. Gillespie, "The Effects of Public Expenditures on the Distribution of Income," Essays in Fiscal Federalism, ed. R. A. Musgrave (Washington, D. C.: Brookings Institution, 1966), pp. 165-166.

[2] Don M. Soule and Stephen E. Lile, Some Problems of Equity and Adequacy in Kentucky's State-Local Taxation, February 1970, The Center for Study of Economics of State and Local Government, Office of Development Services and Business Research, College of Business and Economics, University of Kentucky, Lexington.

TABLE 7.4

Estimated Distribution of State and Local Taxes and Government Expenditure Benefits for Families, by Income Classes, for the United States as a Whole, 1961[1]

Income Class	State and Local Taxes Paid as Percent of Income	State and Local Expenditure Benefits Received as Percent of Income	Benefits Received Minus Taxes Paid as Percent of Income	Percent Additional Benefits Exceed Additional Taxes[2]
Under $2,000	14.4	34.0	+19.6	157
2,000- 2,999	12.2	21.4	+ 9.2	81
3,000- 3,999	12.0	15.6	+ 3.6	38
4,000- 4,999	11.3	12.8	+ 1.5	20
5,000- 5,999	11.0	11.4	+ 0.4	8
6,000- 7,499	10.3	9.9	- 0.4	1
7,500- 9,999	9.7	8.3	- 1.4	- 9
10,000-14,999	9.1	7.3	- 1.8	- 15
Over 15,000	8.4	5.1	- 3.3	- 38

Source: Tax Burdens and Benefits of Government Expenditure by Income Class, 1961 and 1965, Tables 3 and 5 (Tax Foundation, Inc.), pp 14 and 17.

1. Although the report has data for 1965, the data are incomplete and the estimates for 1965 encountered many difficult problems because of lack of knowledge of the shifts in income distribution between 1961 and 1965. Consequently, the data in 1961 were deemed more accurate for 1961 than the data for 1965 were for that year.

2. See text.

TABLE 7.5

Estimated Distribution of State and Local Taxes and Government Expenditure Benefits for Families, by Income Classes, for the United States as a Whole, 1960

Income Class	State and Local Taxes Paid as Percent of Income	State and Local Expenditure Benefits Received as Percent of Income	Benefits Received Minus Taxes Paid as Percent of Income
Under $ 2,000	12.3	43.4	+31.1
$2,000- 2,999	14.4	39.1	+24.7
3,000- 3,999	14.9	24.0	+ 9.1
4,000- 4,999	17.8	19.2	+ 1.4
5,000- 7,499	12.9	12.6	- 0.3
7,500- 9,999	7.0	8.3	+ 1.3
Over- 10,000	6.1	6.2	+ 0.1

Source: Gillespie, W. Irwin, "The Effects of Public Expenditures on the Expenditures on the Distribution of Income", Essays in Fiscal Federalism, ed. R. A. Musgrave, Table 11 (Washington, D.C.: Brookings Institution, 1966), p 162.

and Tax Foundation studies are correct and if Montana fits the pattern of the rest of the states, the fear of a regressive state-local fiscal system and the resulting onerous burden on the poor is substantially mitigated.

There is little doubt that the fiscal process of state and local governments in the United States is an important equalizer of the economic positions of the poor and the well-to-do. Unfortunaltely, this study has neither the time nor the resources to pin down the extent of equalization in Montana. On the other hand, we can find no reasons to suspect that Montana would diverge from the national patterns of redistribution resulting from state and local taxation and expenditure shown by both the Tax Foundation and Brookings studies.

These total incidence studies shed quite a different light on the state and local fiscal systems than do those studies which consider only the incidence of taxes. They incorporate the important other half of the system--the impact of expenditure by income class. These results must be borne in mind when analyzing the tax impact of any state-local fiscal system.

Analysis of the Incidence of Montana Taxes

This study of the incidence of Montana state and local taxes is designed to measure the distribution of tax burdens on families and individuals by income classes. The analysis of tax incidence is one of the most challenging topics in public finance. Its inherent complexities and inadequate data present severe roadblocks to a meaningful empirical study of incidence. In addition to the date limitations, the influence of taxation in economic decisions is difficult to trace even in theoretical terms. These theoretical and measurement problems make it difficult to state with absolute certainty the burdens of taxes on families by income levels.

This analysis of the incidence of Montana state and local taxes is concerned with families and individuals. We have chosen taxes which can be assumed for the most part to fall on families and individuals. Some of the taxes we have chosen fall directly on families and individuals such as the individual income tax. Others are collected by business firms but are assumed to ultimately rest on families and individuals such as motor fuel and auto license taxes and public utility taxes.

We have attempted to use taxes collected in fiscal 1967 but because of lack of detail on the distribution of income tax by adjusted gross income bracket for fiscal 1967, we used calendar year 1967 income tax collections. Other taxes are for fiscal year 1967.

The 1967 Census of Governments lists total state and local taxes in Montana of $212.8 million. This study of the incidence of state and local taxes accounts for about $106.3 million or 50 percent of the total. The remaining taxes are severance taxes, personal property taxes, business property taxes, business and occupational license taxes, and miscellaneous taxes. These taxes were ignored mainly because their incidence cannot be easily determined. Because we have ignored those taxes for which the incidence is difficult to determine and taxes which may be borne by non-residents, the procedures were not extremely complicated. The procedure was to estimate the amounts of taxes on families and individuals by income classes and based on expenditures of persons in those income classes.

We were able to compute the proportion of each tax paid by persons in each income class as well as the percent their tax payments were of their income.

The income concept used in an incidence study is important because different income concepts can result in different profiles of incidence of state and local taxes. We have chosen annual money income before taxes as the most appropriate income concept because it is broader than adjusted gross income and narrower than the broad income concept which encompasses non-monetary income. Annual money income is a concept developed by the Bureau of the Census. It is purported to measure the annual money receipts of families and individuals including government transfer payments. Adjusted gross income does not include government transfer payments the exclusion of which would seriously overstate tax burdens on low income families.

However, we have chosen to report the results of our incidence analysis in terms of adjusted gross income brackets. The choice of adjusted gross income brackets was made because of the familiarity of most people with the income concept. Thus, our study will show taxes paid by families and individuals in each adjusted gross income bracket, but when these tax payments are divided by income, we use annual money income to make the division. Hence, the results will illustrate tax burdens by the familiar adjusted gross income brackets but the percentages will reflect taxes as a percent of annual money receipts of families and individuals in those adjusted gross income brackets.

Table 7.6 shows the distribution of each of the taxes considered by income brackets. The individual income tax represent 25.5 percent of the taxes considered. Highway user taxes including motor fuels taxes, auto licenses, and operator licenses represent 29.2 percent of the total. Real property taxes on residential property is broken down into two components including taxes on home-owners and taxes on renters. The property tax on real property represents 29.2 percent of the total 18.0 percent made up by home-owners and 11.2 percent represented by renters. Individual income, highway user, and real property taxes on residential property represent 83.8 percent of the total taxes analyzed in this incidence study. Alcholic beverage taxes including the excises and licenses make up 5.4 percent of the total. Cigarette taxes make up 5.9 percent of the total. Insurance premiums taxes represent only 3.0 percent of the total; public utility taxes including telephone gross receipts taxes, electrical energy taxes, etc., represent only 1.8 percent of the taxes included in this analysis.

Table 7.7 shows the percent of each tax paid by families and individuals in each adjusted gross income bracket. We have estimated that families

TABLE 7.6

Tax Payments by Income Bracket

Federal Adjusted Gross Income Bracket	Individual Income Tax	Highway User Taxes	Alcoholic Beverage Taxes	Cigarette Taxes	Insurance Premiums Tax	Public Utilities Taxes	Home Owners Real Property Tax	Renters Real Property Tax	All Taxes
				(Thousands of Dollars[1])					
Under-$ 3,000	1,199	2,377	506	952	221	392	707	3,129	9,483
3,000- 4,999	2,484	3,436	661	971	310	268	1,241	2,383	11,754
5,000- 7,499	5,106	6,645	1,293	1,622	664	424	2,635	2,928	21,317
7,500- 9,999	4,915	5,981	1,316	1,353	639	355	3,953	1,778	20,290
10,000- 14,999	5,092	5,396	1,132	914	585	277	5,347	1,091	19,834
Over- 15,000	8,307	7,130	839	451	801	224	5,213	545	23,510
Total	27,102	30,967	5,748	6,262	3,220	1,938	19,096	11,854	106,187
Percent of Total	25.5	29.2	5.4	5.9	3.0	1.8	18.0	11.2	100.0

Source: Montana Fiscal Affairs Study.

1. Details may not add to totals due to rounding.

and individuals with less than $5,000 adjusted gross income paid 19.6 percent of the taxes, had 29.8 percent of the total money income, and made up 45.3 percent of the spending units (families and individuals). The middle income group $5,000 to $14,999 paid 58.1 percent of the taxes, had 55.5 percent of the income, and made up 49.7 percent of the spending units. The high income group $15,000 and over, paid 22.3 percent of the taxes, had 14.7 percent of the total money income, and made up only 5.0 percent of the spending units.

Table 7.8 shows estimated tax payments by adjusted gross income brackets as a percent of total money income of families and individuals in the bracket. The overall pattern of tax burden is distributed progressively in Montana on families and individuals. Taxes as a percent of income rise from 3.82 percent in the lowest income bracket to 10.20 percent in the highest income bracket. Thus, taxes take a smaller portion of income in the lower brackets than in the higher income brackets. Total tax payments by families and individuals averaged 6.70 percent of the total money income of those families and individuals in 1967.

The individual income tax is uniformly progressive throughout the income brackets taking 0.49 percent of money income in the lowest bracket and 3.57 percent of money income in the highest income bracket. The individual income tax liability took 1.71 percent of family money income in 1967.

Highway user taxes which include motor fuel taxes, automobile licenses, and operator's licenses are also uniformly progressive throughout the income bracket. Highway user taxes took an average of 1.95 percent of family money income in 1967. Highway user taxes take about double the percent of money income from the lowest income bracket as does the individual income tax. They do not, however, take quite as much in relation to money income from the highest income bracket as the individual income tax.

Alcoholic beverage taxes are progressive up to $15,000. They are regressive at the high end of the income scale. Alcoholic beverage taxes fall a bit short of taking one-half of one percent of money income in any bracket and they averaged 0.36 percent of family money income in 1967.

Cigarette taxes are also mildly progressive but become regressive above $10,000. The differences in the percent of money income paid for cigarette taxes is only 0.07 percent between the under $3,000 bracket and the $7,500 to $9,999 bracket. The only large relative deviation occurs at the highest bracket where the burden is only 0.19 percent of money income.

The insurance premiums tax is progressive throughout the entire income range. In the lowest income bracket, the insurance premiums tax takes the lowest percent of money income of any taxes included in the study.

Public utility taxes are regressive on the low end of the income scale, proportional in the middle income brackets and regressive at the top end of the income scale. Public utility taxes took about 0.12 percent of total family money income in 1967.

TABLE 7.7

Estimated Tax Payments by Income Bracket as Percent of Total Tax Payment of Each Tax

Federal Adjusted Gross Income Bracket	Individual Income Tax	Highway User[1] Taxes	Alcoholic Beverage Taxes	Cigarette Taxes	Insurance Premiums Tax[1]	Public Utilities Taxes[1]	Home Owners Real Property Tax	Renters Real Property Tax	All Taxes	Total Money Income	Percent of Return Units By Income Brackets
					(Percent[2])						
Under-$ 3,000	4.4	7.7	8.8	15.2	6.8	20.2	3.7	26.4	8.9	15.3	37.0
3,000- 4,999	9.2	11.1	11.5	15.5	9.6	13.8	6.5	20.1	11.1	14.5	14.3
5,000- 7,499	18.8	21.5	22.5	25.9	20.6	21.9	13.8	24.7	20.1	22.5	20.5
7,500- 9,999	18.1	19.3	22.9	21.6	19.8	18.3	20.7	15.0	19.1	18.5	12.4
10,000- 14,999	18.8	17.4	19.7	14.6	18.2	14.3	28.0	9.2	18.7	14.5	7.2
Over - 15,000	30.7	23.0	14.6	7.2	24.9	11.6	27.3	4.6	22.1	14.7	3.5
Total 100	100	100	100	100	100	100	100	100	100	100	100

Source: Montana Fiscal Affairs Study.

1. Business portions of highway user, insurance premium, and public utility taxes were identified and allocated according to the distribution of dividend payments by income brackets.

2. Details may not add to totals due to rounding.

TABLE 7.8
Estimated Tax Payments by Income Bracket as Percent of
Total Montana Money Income in the Bracket

Federal Adjusted Gross Income Bracket	Individual Income Tax	Highway User Taxes	Alcoholic Beverage Taxes	Cigarette Taxes	Insurance Premiums Tax	Public Utilities Taxes	Home Owners Real Property Tax	Renters Real Property Tax	All Taxes
					(Percent[1])				
Under-$ 3,000	0.49	0.98	0.21	0.39	0.09	0.16	0.29	1.29	3.91
3,000- 4,999	1.08	1.49	0.29	0.42	0.13	0.12	0.54	1.03	5.10
5,000- 7,499	1.43	1.86	0.36	0.45	0.19	0.12	0.74	0.82	5.97
7,500- 9,999	1.68	2.04	0.45	0.46	0.22	0.12	1.35	0.61	6.93
10,000- 14,999	2.21	2.34	0.49	0.40	0.25	0.12	2.32	0.47	8.60
Over- 15,000	3.57	3.06	0.36	0.19	0.34	0.10	2.24	0.23	10.09
Total	1.71	1.95	0.36	0.39	0.20	0.12	1.20	0.75	6.69

Source: Montana Fiscal Affairs Study.

1. Details may not add to totals due to rounding.

The property tax on owner occupied dwellings is progressive up to the second from the last income bracket and becomes regressive above $15,000. The property tax on owner occupied residential property amounted to an average of 1.27 percent of total money income in 1967.

The burden distribution on renter occupied residential property is regressive throughout the income range. The tax as a percent of family money income begins at 1.18 percent in the lowest bracket and falls to 0.21 percent in the highest income bracket and averaged 0.68 percent of total money income of families in 1967.

It is somewhat surprising that Montana's tax structure is progressive as shown in Table 7.8. Most state and local tax systems are regressive as indicated by both Tables 7.4 and 7.5. The reason the overall system is progressive is that the individual income tax, highway user taxes, and home owners real property taxes are progressive in Montana's tax system. These three tax sources constitute nearly three-fourths of the taxes considered to fall directly on individuals. Montana's reliance on these three tax sources is high among the states, and their structure results in a progressive profile over income brackets leading to the progressive profile of the overall tax system.

CHAPTER 8 THE INDIVIDUAL INCOME TAX

CHAPTER 8

THE INDIVIDUAL INCOME TAX

Introduction

In 1967 Montana's individual income tax yielded $27.3 million on a calendar-year basis. In the same year, Montanans paid $152.7 million of federal income tax. State income tax collections were nearly 18 percent of federal collections in 1967.

Montana's individual income tax is the largest single source of state tax revenue. In fiscal 1969, receipts were 8.5 times larger than they were in 1950. During this nineteen year period, Montana individual income taxes grew at nearly 12 percent per year. Since 1960, fiscal year receipts have grown threefold at an average annual rate of 13.8 percent per year.

The Montana individual income tax has been the target of piecemeal revision three times during the past decade. Changes in rates have occurred as a result of the last three legislative sessions. Additionally, the 1967 and 1969 Legislative Assemblies have introduced features in the income tax new to the law and new in concept. During the 1967 and 1968 taxable years, the legislature allowed a 5 percent credit against the basic income tax liability; and for the 1969 and 1970 taxable years, the 5 percent tax credit has been repealed and a 10 percent surcharge on the basic tax liability has been imposed. In 1969 the federal income tax deduction was extended to those filing standard 10 percent returns.

The individual income tax is of timely interest in many respects. Currently, there is much discussion of federal income tax reform. Montana's law follows the federal law closely, and changes at the federal level cannot occur without disturbing the tax in Montana. Federal collections from income tax on Montana taxpayers are nearly six times greater than Montana's collections. Federal tax policies are critically important to an assessment of the future role of Montana income taxation. Several states have embarked on the use of their income taxes to free low-income groups of excessive property and sales tax burdens. A review of the provisions of the thirty-eight states and the District of Columbia, which now have individual income taxes, shows the extreme flexibility in the application of the individual income tax. Many of the states using the income tax are continuously revising rates and provisions. Such extreme variety and diversity among states in application of individual income taxes provides a wealth of experience and generates advocates of one provision or another, following one rationale or another, among Montana legislators. The individual income tax has proven to be very suitable for adjusting tax burdens to taxpayers' economic circumstances. With this background of interest in individual income taxation, it must be assumed that the individual income tax in Montana will be a regular target for proposed changes in the future. This study of the individual income tax does attempt to cover all the details of individual income taxation. It is, however, concerned with the major broad issues. Additionally, because the Montana law so closely follows the federal law, much of what can be said of the federal tax can also be said of the state tax. The issues are directly parallel in concept, even though the magnitudes are different.

Taxation of Individual Income in Montana and Elsewhere

Montana first enacted the individual income tax in 1933. This adoption came in the middle of the depression when the property tax and other state revenue sources were severely curtailed because of economic circumstances. During the 1930s Montana was among fifteen other states adopting an individual income tax. Montana is now among thirty-eight states and the District of Columbia which levy individual income taxes.[1]

Among the states levying a broad based income tax, six states do not employ a graduated rate structure. Alaska, Nebraska, and Vermont levy a flat rate against the federal tax liability. Alaska, Nebraska, and Vermont apply a flat rate against the federal tax which, in essence, results in a graduated state rate structure which is a percent of the federal rates. Indiana levies a flat rate income tax against adjusted gross income. Michigan levies a flat rate tax on taxable income. Massachusetts uses a flat rate tax on earned and business income and levies different rates on intangibile income. Montana and the rest of the broad based income tax states employ graduated rate structures. Table 8.1 show Montana's individual income tax rates since enactment of the tax in 1933. On taxable incomes below $10,000, bracket rate increases have been between 1 percent and 3 percent since 1933. Since 1933 the rates applied to taxable incomes over $10,000 have grown by the greatest amounts, making Montana's income tax more progressive. The rates on taxable income between $10,000 and $14,000 increased four percentage points; between $14,000 and $20,000 by five percentage points. On taxable incomes between $20,000 and $35,000, rates have increased by six points. The rate applied to taxable incomes over $35,000 grew from 4 percent to 11 percent, and increase of seven percentage points.

Like most other states levying broad based individual income taxes, Montana's is very similar to the federal income tax. Twenty of the thirty-eight states with income taxes use the federal tax base

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1. New Hampshire and Tennessee levy an income tax on only intangible income. New Jersey's income tax applies only to commuters living in New Jersey and working elsewhere.

TABLE 8.1

State of Montana Individual Income Tax Rates

Taxable Income (000)		Tax Rates in Percent of Taxable Income by Effective Taxable Years					
Over	Not Over	1/1/33 to 12/31/56	1/1/57 to 12/31/58	1/1/59 to 12/31/64	1/1/65 to 12/31/66	1/1/67 to 12/31/68[1]	1/1/69 to 12/31/71[2]
$ 0	$ 1	1.0	1.0	1.0	1.1	1.90	2.2
1	2	1.0	1.5	2.0	2.2	2.85	3.3
2	3	2.0	2.0	3.0	3.3	3.80	4.4
3	4	2.0	2.5	4.0	4.5	3.80	4.4
4	5	3.0	3.0	4.0	4.5	4.75	5.5
5	6	3.0	3.5	5.0	5.6	4.75	5.5
6	7	4.0	4.0	5.0	5.6	5.70	6.6
7	8	4.0	5.0	7.0	7.9	5.70	6.6
8	10	4.0	5.0	7.0	7.9	6.65	7.7
10	14	4.0	5.0	7.0	7.9	7.60	8.8
14	20	4.0	5.0	7.0	7.9	7.60	9.9
20	25	4.0	5.0	7.0	7.9	7.60	11.0
25	35	4.0	5.0	7.0	7.9	9.50	11.0
35	--	4.0	5.0	7.0	7.9	9.50	12.1

Source: Montana Session Laws.

Note: Employer withholding of state individual income tax was enacted effective July 1, 1955.

1. A 5 percent credit was allowed. Figures here show 95 percent of statutory rates.

2. A 10 percent surcharge is exacted. Figures here show 100 percent of statutory rates.

including those applying a flat rate to the federal tax liability in computing their state tax. Montana's law accepts the federal definition of adjusted gross income, whereby, it includes net income from unincorporated businesses, income earned from wages and salaries, etc. Montana's law also accepts the federal exemption scheme of $600 per dependent exemption and an additional $600 for each taxpayer who is either blind or over sixty-five years of age. The federal income tax liability is deductible on the state income tax return in Montana.

Thirty-six states have federal-state cooperative agreements allowing the state to use federal returns to assist in administering the state tax laws. In Montana, for example, when the Internal Revenue Service determines that a change is necessary in a taxpayer's federal tax liability, they will immediately notify the State Board of Equalization of the change. The State Board can then find the return, audit it, and notify the taxpayer if there is a change in his state tax liability.

Thirty-four of the income tax states allow a standard deduction up to some specified limit in place of detailed itemized returns. Fifteen of the thirty-four states in 1968 allowed the federal tax deduction in addition to the standard deduction. Effective with returns filed in April 1970 on 1969 income, Montana will allow deduction of the federal income tax in addition to the standard 10 percent deduction. This provision was passed to induce more people to file a short return and, thereby, reduce administrative costs.

Thirty-four states, including Montana, require employers to withhold wages of employees. In Montana wage withholding is required for most employees and the self-employed are required to file an estimated return quarterly. The overriding feature of withholding is the increased compliance of taxpayers with very minimal administrative costs. Quarterly reporting by firms withholding employee's income tax results in a smaller amount of revenue in the General Fund than would be the case with monthly wihholding. This is because firms are allowed to hold withheld income taxes of employees in banks one and two months prior to the quarterly reporting date.

Twenty-two states allow the use of an optional tax table for those filing joint returns, commonly known as income splitting. Twelve allow taxpayers to file joint returns but do not allow income splitting. Montana is among the states allowing joint returns but it does not allow income splitting.

Revenue from Montana's Income Tax

During the 1950s, fiscal year receipts from the income tax were affected by adverse economic conditions. For example, fiscal year receipts fell between 1952 to 1953 and did not regain their 1952 level until 1955. There was a recession in 1954. Receipts fell again in 1957 from their 1956 level, apparently because of the national recession. From 1957 through 1969 fiscal year receipts have grown rather

TABLE 8.2

State of Montana
Individual Income Tax Receipts 1950 to 1969

Year	Actual Fiscal Year Receipts	Percent of Total State Tax Collections
1950	3,688	10.9
1951	4,435	12.8
1952	5,328	14.3
1953	4,898	13.1
1954	4.923	12.5
1955	5,308	12.8
1956	6.810	13.8
1957	6,770	12.9
1958	8,359	14.8
1959	8,360	13.7
1960	9,766	15.1
1961	11,691	17.0
1962	12,244	17.5
1963	13,934	18.9
1964	14,691	19.4
1965	16,656	20.9
1966	21,111	23.1
1967	24,224	26.1
1968	29,574	28.2
1969	31,223	27.9

Source: Biennial Reports--Montana State Board of Equalization.

steadily. Table 8.2 shows that income tax revenue has grown in importance in the state tax structure. In 1950 the state income tax made up only 11 percent of total tax revenue, but by 1969 it had grown to 28 percent of total state tax revenue.

Elsewhere, we mentioned the numerous rate changes in the rate structure of the Montana income tax. To get a perspective of the revenue impact of these legislative changes and the influence of economic growth on revenue collections, we made some comparisons. The comparisons involved computing the taxable year receipts in 1967, had Montana used the rate structures which were in effect in 1933, 1959, and 1967.[2] Our comparison shows that if the 1933 rate structure had been used in 1967, collections would have been $15.5 million when, in fact, they were $27.3 million. The difference between the revenue potential of the 1933 rate structure and that actually realized in 1967 is $11.8 million. This $11.8 millions is the amount of increased revenue due to legislative action. The remainder of the revenue raised in 1967, $15.3 million, was due to economic growth. Thus, 57 percent of the growth in revenue between 1933 and 1967 is attributable to economic growth and inflation and 43 percent of the growth in revenue during the period was due to legislative action.

Between 1959 and 1967, 92 percent of the increase in revenue from the individual income may be attributable to economic growth and inflation while only 8 percent was due to legislative action.

Uses of Montana Income Tax Revenue

Currently, the individual income tax is used for three major purposes. The largest share, 64 percent of the individual income tax, goes directly to the General Fund for appropriation for general government purposes. Twenty-five percent of the individual income tax is earmarked for financing the school foundation program and 11 percent along with the same percent of the corporation license tax, 37.5 percent, of the cigarette tax and taxes on other tobacco products go into the sinking fund of the long range building program. However, at present a minor fraction of this revenue is needed to pay interest and principal on outstanding bonds, and the remainder is periodically transferred to the general fund where it is available for general appropriations.

The Individual Income Tax Base

Much of the recent criticism of the federal income tax stems from the recognition that too many provisions benefiting special groups of taxpayers have crept into the tax law. The provisions benefiting special groups of taxpayers are scattered throughout the income scale. These special preference provisions have resulted in erosion of the income tax base, and studies have shown that such tax base erosion is a major source of inequities and economic distortion.[3]

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[2] Take particular note that we are referring to calendar-year receipts which are different than fiscal-year receipts. This makes a difference, expecially, since 1955 when withholding was instituted.

There are basically two types of tax base erosion. One type involves income which never enters adjusted gross income. The other type involves exemptions and deductions from adjusted gross income in computing taxable income.[4]

Income Exclusions

Tax law and practice have developed the concept of adjusted gross income. Adjusted gross income differs widely from an economic concept of income. From an economic point of view, net income of a person during a year includes money income and income in kind, which together represent the net economic gain (in dollar terms) of a person during the year. Money income includes wages and salaries, rents and royalties, interest income, dividends, business net profits, transfer payments, and other labor income. Transfer payments include, among other things, federal social security benefits, unemployment compensation insurance benefits, and disabled veterans payments.

Other labor income includes employer contributions to private health, welfare, and pension funds and workman's compensation payments. Income in kind includes mainly the net rental value of owner-occupied houses and food and fuel produced and consumed on farms.

The most readily available comprehensive economic concept of income is total personal income developed by the United States Department of Commerce. Comparison of adjusted gross income with total personal income serves to point out the nature and magnitude of the differences between adjusted gross income defined by tax law and practice and an economic concept of income.

Table 8.3 summarizes the essential differences between the two concepts of income. Receipts included in personal income but excluded from adjusted gross income, as well as receipts included in adjusted gross income not in personal income, are itemized. Adjusted gross income is roughly equal to total personal income (A) minus receipts included in personal income not entering adjusted gross income (B)

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[3] Joseph A. Pechman, "What Would a Comprehensive Individual Income Tax Yield?" Tax Revision Compendium (U.S. Congress, Committee on Ways and Means, 1959), Vol. 1, pp. 251-81.

[4] Some may wish to argue that exemptions are not an erosion of the tax base because ability to pay does not begin until income exceeds a certain minimum level. (See Pechman, Ibid., p. 267.)

TABLE 8.3

Conceptual Reconciliation of Total Personal Income and Adjusted Gross Income

(A) Total personal income

(B) Receipts included in personal income not entering adjusted gross income

1. Transfer payments and other labor income
2. Income in kind and imputed interest
3. Nontaxable military cash pay and allowances
4. Nontaxable interest
5. Fiduciary income (other than capital gains)
6. Property income of nonprofit organizations
7. Inventory adjustments
8. Exclusions for dividends and sick pay

(C) Receipts included in adjusted gross income but not in personal income

1. Personal contributions for social insurance
2. Net gain on sale of assets
3. Annuities and pensions reported on tax returns
4. Miscellaneous income reported on tax returns
5. Deductions for depletion and loss carry-overs

Source: Joseph A. Pechman, "What Would a Comprehensive Individual Income Tax Yield?", Tax Revision Compendium (U.S. Congress, Committe of Ways and Means, 1959), Vol, p. 253.

plus receipts included in adjusted gross income but not in personal income (C).[5]

Some numerical comparisons will serve to shed light on the magnitudes involved in personal income and adjusted gross income for Montana and the nation as a whole. In 1967 adjusted gross income reported on federal income tax returns was 81 percent of United States total personal income. Thus, about 19 percent of what may be termed net economic gain of people in the United States was excluded from adjusted gross income. Federal adjusted gross income reported on Montana income tax returns was 74 percent of total personal income in the state. Thus, 26 percent of economic gain of Montana's was excluded from adjusted gross income.[6] ✓

Income exclusions cause inequities as well as distortions in economic activity. People who have the same adjusted gross income can have widely different amounts of personal income by taking their income from different sources where such choices exist. Likewise, people with the same personal income per year can pay widely different amounts of income tax. Because certain types of income enjoy tax sheltered status, people may be induced to seek out these forms of income which leads to distortions in economic decisions.

In addition to income exclusions, deductions and exemptions significantly reduce the tax base. At the federal level, deductions and exemptions were 30 percent of total personal income in 1967. In Montana taxpayers claimed deductions and exemptions amounting to 35 percent of Montana total personal income in 1967. Deductions and exemptions claimed by Montanans were nearly half of adjusted gross income (see Table 8.4). ✓

Capital Gains and Losses

The treatment of capital gains and losses still looms as a controversy in taxation of income. The controversy centers on the

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[5] Adjusted gross income derived in this fashion does not equal adjusted gross income reported on tax returns because of income earned by people not required to file returns, and some persons simply do not report and file returns even though the law requires them to do so.

[6] It should be noted that there is a bias in these comparisons because total personal income does not include income which adjusted gross income includes. Notable among these receipts is capital gains and losses and other items in (C) of Table 3. This bias understates the difference between total personal income and adjusted gross income and, thereby, understates the percent of total personal income not included in adjusted gross income.

TABLE 8.4

Relationship of Income Tax, Taxable Income, Adjusted Gross Income, and Total Personal Income in Montana and the United States Taxable Year 1967

	Montana		United States	
	Millions of Dollars	As Percent of Total Personal Income	Millions of Dollars	As Percent of Total Personal Income
Total Personal Income	$ 1,932	100.0	$625,642	100.0
Adjusted Gross Income	1,438	74.0	504,719	81.0
Exemptions and Deductions	682	35.0	189,729	30.0
Taxable Income	756	39.0	314,990	50.0
Income Tax	27,258	1.4	62,920	10.0

Sources: Survey of Current Business, (U.S. Department of Commerce, Office of Business Economics, August 1968), Vol. 48, No. 8.

Statistics of Income, 1967: Individual Income Tax Returns (U.S. Department of the Tresury, Internal Revenue Service, August 1969).

Montana State Board of Equalization.

inequities and distortions in the treatment of capital gains and losses in regard to (1) burdens of the income tax on persons in different income levels, (2) burdens of the income tax on persons with the same level of income, and (3) distortion of economic decisions which affect economic growth.

Federal law defines both short-term and long-term capital gains. Gains from sale of assets held over six months are classified as long-term capital gains. Long-term capital gains are given preferential treatment over other types of income by federal and state tax laws. Short-term capital gains are treated as ordinary income for tax purposes.

An individual taxpayer may deduct 50 percent of a long-term capital gain. Thus, only one-half of the gain is subject to tax. Furthermore, if the rate of tax applicable to the remaining gain exceeds 50 percent (a point reached at $22,000 of income for a single person and $44,000 for a married person), no further tax is paid on the gain. The result is that the entire capital gain is subject to a maximum marginal tax rate of 25 percent. Capital losses in excess of capital gains are allowed to offset up to $1,000 of ordinary income. Losses not utilized in any one year may be carried forward for five years, offsetting until exhausted, the capital gains in those years plus $1,000 of ordinary income.

Capital gains and losses arise because of changes in the value of capital assets. Sales of securities and real estate constitute the bulk of income derived from capital gains. They are recognized for tax purposes only when as asset is sold and the income is realized.

The net economic gain of a person during the year includes capital gains and losses, whether they are realized or not. But administrative feasibility demands that only realized gains be taxed. As a result it is profitable for certain taxpayers to take their income in the form of long-term capital gains by holding securities or property longer than six months before selling. This practice on a broad scale in upper income brackets has severely moderated the progressive income tax rate structure of the federal government.

Capital assets held at the time of death which have value attributable to capital gains are never subject to income taxes because they are treated as unrealized capital gains. Such treatment favors accumulation of wealth in the form of capital gains to pass on in the form of bequests to children. Significant amounts of wealth are transferred without ever having been subject to income taxes.

Although income tax treatment of long-term capital gains violates standards of equity and leads to distortions, there is pervasive rationale for their treatment. If the assets are held for many years and capital gains accumulate steadily over the years, realization of those gains in one year would result in a much higher income tax than if an equivalent amount of ordinary income had been earned over the same period of time. This is because of the progressive federal and state income tax rates.

Deductions

The rationale for personal deductions rests on several grounds. First, personal deductions are allowed to provide a more refined measure of taxpaying capacity. Personal deductions provide equitable adjustments for special or extraordinary circumstances of taxpayers. Second, some personal deductions are allowed to promote socially desirable activities. Tax exempt status of certain kinds of expenditures presumably encourages taxpayers to spend more on these items than they otherwise would. Third, certain expenses incurred in earning nonbusiness income are allowed as personal deductions which have not been accounted for in determining adjusted gross income.

Contributions. The deduction of contributions to charitable, religious, scientific, and other nonprofit organizations is limited to a maximum of 20 percent of adjusted gross income or to 30 percent if at least 10 percent is contributed to churches, educational institutions, and hospitals. This personal deduction was adopted in 1917 in response to the fear that high tax rates would cause contributions to decline. The justification for the deduction of contributions is stated as the encouragement of socially desirable activity. Refinement of the income concept or allowance for differences in taxable capacity are not generally used as a rationale for supporting this deduction. Even if these arguments are conceded and everyone agrees, the real issue remaining is the effectiveness of the deduction as an incentive to giving. If the stimulation of giving is small relative to the loss in revenue, there seems to be little justification for the deduction. The loss in government revenue requires that either tax rates be higher or government expenditure be smaller. On these grounds there is more justification for personal deduction of charitable contributions at the federal than at the state level because inducements to give are likely to be much smaller at the state level because of low rates of taxation.

Casualty Losses and Medical Expense. Personal deduction of casualty loss involving involuntary, extraordinary, and unpredictable costs are rationalized on the basis that such losses may exhaust a large portion of a taxpayer's total income. The rationale here is definitely a refinement of the income concept or allowances for differences in taxpaying capacity. These losses are allowed only if nonrecurring and reduced by the amount of any insurance or other compensation received. To qualify, the loss must exceed $100, and in so limiting the floor on the personal deduction of losses, the Congress declared that losses must be large enough to have a significant effect on the taxpayers' ability to pay federal taxes. The floor of $100 is difficult to rationalize because a $100 loss means more to a person with a low income than it does to a person with a high income. A more equitable scheme would relate the floor to income as for the medical expense deduction.

In the case of personal deductions for extraordinary medical expenses, the rationale is the same as for casualty losses, except that the floor on qualifying for medical deductions is 3 percent of adjusted gross income. But unlike casualty losses, medical insurance premiums are allowable as part of personal medical deductions.

Interest and Taxes Paid on Owner-Occupied Dwellings. Personal deductions allowed for taxes paid on owner-occupied homes and interest payments on home-owner mortgages are a clear case of taxpayer subsidization. In addition to the taxes and interest deductions, the imputed rental value of owner-occupied homes is excluded from taxable income. When compared with persons who occupy rental housing, there is a clear and significant subsidization of home owners. Additionally, home owners benefit from the fact that interest and taxes are usually large enough to justify itemized deductions which allows taking advantage of further personal deductions. Thus, home owners are the primary beneficiaries of itemized personal deductions. There appears to be no justification for this discriminatory treatment between home owners and renters, especially in view of the fact that: (1) rental value of owner-occupied dwellings is excluded from taxable income and renters pay taxes on income spent for rental housing; (2) personal deductions for interest and taxes reduce the tax base; and (3) the combined result is a loss in government revenue which requires tax rates to be raised or government expenditures be curtailed. Either solution affects lower-income renters more adversely than higher-income home owners. It appears that solution of this problem at the state level would add significantly to the tax base and increase the equity of the state individual income tax.[7] From the point of view of overall taxpayer equity, state corrective measures are likely to be relatively insignificant because of the low state marginal tax rates in relation to the federal marginal tax rates, but that does not justify the state following the federal practice.

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[7] An example of the inequities may clarify the situation. "Suppose two people each earn $10,000 a year from wages and salaries and both have investments worth $10,000. The first person owns corporate bonds on which interest income is $600. He rents the house he lives in, valued at $20,000 for $2,400 a year. The second taxpayer invests $10,000 in an identical home, also worth $20,000. On his $10,000 mortgage loan he pays $600 annual interest, which is tax deductible. He pays property taxes of $400, also deductible, and faces annual maintenance and depreciation costs of $800. His costs of owning the home come to $1,800 plus the $600 interest income he foregoes by maintaining his $10,000 equity, for a total of $2,400--the rental value of the house. In the relevant economic sense, the two individuals have equal net incomes of $10,600. But the first taxpayer will be taxed more than the second, who is not required to report the $600 net rental value of his home and can also deduct $1,000 interest and taxes from his adjusted gross income. The renter has a taxable income of $1,600 higher than the home owner." See Samuel B. Chase, Jr., "The Individual Income Tax," The Maryland Tax Study, the University of Maryland (Guthrie Bros., College Park, Maryland), Chapter 10, p. 89.

State and Local Taxes. Personal deductions of taxes paid include state and local taxes on property, income, gasoline and other motor fuels and state and local general sales taxes. Deduction of state and local taxes on federal returns appears to have been given no explicit justification by Congress. However, they have persisted since enactment of the federal individual income tax. Walter Heller argues that "Deductibility of such taxes plays a unique and important role in federal-state relationships in that (a) it prevents confiscatory combinations of federal, state, and local income taxes and (b) it gives the states a helping hand in income taxation by reducing net burdens and interstate differentials."[8] In view of the 1964 tax cut in which the highest marginal rate on federal returns was reduced from 91 percent to 70 percent, confiscation is now only a remote possibility. In Montana, for example, if the taxable income of a taxpayer were subject to the highest state rate of 11 percent and also to the 70 percent federal rate, the combined marginal rates, ignoring surcharges, would be 81 percent. Allowing deduction of the state tax on federal returns, the combined rate is reduced to 73.3 percent. If federal and state governments allow mutual deductibility, the combined rate is only 71.2 percent. Of course, this was not the case prior to 1964 when the highest federal marginal rate was 91 percent.

Deduction of state and local income taxes on federal returns reduces the progressivity of the federal income tax. Such deductions strengthen state income tax systems by giving the states access to tax revenue at a net cost significantly below what taxpayers pay to the state. Most state legislatures are fearful that wider differences in the net burdens of the income tax among the states will lead to migration of industry and wealth. Deduction of the state income tax on federal returns significantly moderates these interstate differentials.

Differentials in property taxes among competing jurisdictions are tempered by deduction of property taxes on federal income tax returns. But since personal deductions of the property tax are allowed only to home owners, it discriminates heavily against renters who pay all or large part of the property tax on their dwellings.

Optional Standard Deduction

Montana and federal laws allow the standard deduction, whereby a taxpayer can deduct 10 percent of adjusted gross income rather than itemize deductions. The maximum allowable standard deduction is $500 for a single person and $1,000 for a married couple filing a joint return. For federal tax purposes, 63 percent of Montana taxpayers filed standard 10 percent returns and the remaining 37 percent itemized deductions in 1967. On the state returns, however, only 37 percent declared the standard 10 percent deductions and 63 percent itemized deductions. It is thought that the reason most taxpayers itemize deductions for state tax purposes is because of the federal tax deduction.

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[8] Walter W. Heller, "Deductions and Credits for State Income Taxes," Tax Revision Compendium (U.S. Congress, Committee on Ways and Means, 1959), Vol. 1, p. 419.

The processing of over 263,000 returns has become a burdensome and expensive administrative task, especially with such a large portion of taxpayers itemizing deductions. During the 1969 Legislative Assembly, a measure was passed to reduce the number of itemized returns. Now, in addition to the standard 10 percent deduction, a taxpayer can deduct the federal tax liability so itemization of deductions is not necessary to gain the federal tax deduction advantage.

The reason for the optional standard deduction is obviously to simplify tax compliance and auditing. It is difficult, however, to make sense out of its use while justifying other deductions. The optional standard deduction does not adjust for special taxpayer circumstances nor does it encourage socially desirable expenditure of income. It is more similar in nature to dependent exemptions than to personal deductions.

Exemptions

Exemptions allowed for taxpayers and their dependents have been the subject of much study and discussion since 1913. Personal exemptions under federal and Montana law are fixed at $600 for each taxpayer, spouse, and dependent. A special exemption is allowed for a taxpayer or spouse who is over sixty-five years of age or blind and the special exemptions are additive. Thus, for a taxpayer who is over sixty-five years of age and blind, three exemptions are allowed.

Seltzer outlines three functions served by exemptions:[9] (1) they exclude the smallest incomes from the tax base; (2) they contribute to progression in the rate structure especially in the lower brackets; and (3) they provide differentiation among families with special treatment of aged and blind taxpayers. Following Groves, it is interesting to note the implications of these three functions.[10] To fulfill the first function exemptions are not required for everyone. To exclude the smallest income recipients from the tax base requires exemption only if incomes fall below a minimum. Because of the role of exemptions in progression of the income tax in lower brackets, questions can be raised about the relation between the rate structure and exemptions. Differentiation among families which is achieved with dependent exemptions does not have to be limited to constant exemptions throughout all income brackets. A different profile of the effects of exemptions could be obtained by using increasing or decreasing allowances as you move up the income scale. Although we will not deal extensively with the issues surrounding exemptions at either the state or federal level, if changes are made in concept or size, the above issues should be carefully considered.

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[9] Lawrence H. Seltzer, "The Place of the Personal Exemptions in the Present-Day Income Tax," Tax Revision Compendium (U.S. Congress, Committee on Ways and Means, 1959), Vol. 1, pp. 508-509.

[10] Harold M. Groves, Federal Tax Treatment of the Family (Brookings Institution, 1963), pp. 18-19.

There is much divergence in the practice among the states in treatment of exemptions. Fourteen states, including Montana, follow the federal practice of allowing $600 for each taxpayer and dependent. Some states vary the size of the exemption between the taxpayer, the spouse, and children. One state, North Carolina, allows $600 for a dependent child plus an additional $600 if the child is a full-time student in an accredited college or university. Twelve states allow an exemption for students regardless of income or age, but the amount varies.

Income Splitting

Income splitting is a provision enacted into federal income tax law in 1948. The impetus for the action came from discrimination among married couples. By virtue of community property laws in some states, couples in those states were able to split their income for tax purposes as though each spouse earned equal income. The ability to split income did not exist for couples in noncommunity-property states and these states brought pressure on Congress for relief. Also, in noncommumity-property states, married couples paid less tax if each spouse had income than if one spouse received all the income. By permitting all couples to split their income for federal tax purposes, these descriminatory features were eliminated.

Splitting of income of couples is mechanically carried out at the federal level by the use of a separate tax table. In the tax table, to compute the tax liability of married couples filing joint returns, statutory rates used for single taxpayers are applied to taxable brackets double the size of those used for single taxpayers. The result is equivalent to applying statutory rates of a single taxpayer to one-half the combined taxable incomes of a married couple and multiplying the result by two. This is the splitting provision appearing in most state laws allowing income splitting.

As a result of the splitting provision, whenever the income of either spouse exceeds the amount of income taxable at the lowest marginal rate, the tax bill under the splitting provision is less than if each spouse filed a separate return. The major arguments against income splitting are: (1) it disturbs the progressivity of the income tax, and (2) there are unjustifiable wide differences in tax burdens on married couples and single persons. Some light can be shed on these issues in conjunction with the Montana law.

As Table 8.5 shows, married taxpayers filing joint returns would enjoy a tax advantage if conventional income splitting were allowed. In the first taxable bracket, married couples and single taxpayers would pay the same tax. But because of the width of the brackets and rate of gradation, the tax on married couples is always less than on single taxpayers beyond the first bracket. Between $2,000 and $35,000 taxable income, the tax on married couples remains below the tax on single persons by at least 20 percent. At a taxable income of $15,000 married couples pay 29 percent less tax than single persons with the same income. At the highest income level shown, however, the difference in tax liabilities of married couples and single persons is less than 1 percent.

Table 8.6 shows the actual rate schedules that would apply if Montana followed the conventional rules of income splitting using the 1969-70 tax rates enacted by the 1969 legislative session. The marginal rates are the same on the first $1,000 of taxable income. They diverge in every bracket below $70,000 because the maximum rate is 11 percent and gradations under existing law stop at $35,000. The maximum divergence in marginal rates between single persons and married couples is at the $10,000 to $12,000 taxable bracket and at the $14,000 to $16,000 taxable bracket where the differences are three percentage points.

There have been repeated attempts to introduce an income splitting provision into Montana's income tax law. The impetus has been primarily to ease administrative problems associated with the Montana law. Confusion arises because some couples with separate incomes have the illusion that filing a joint Montana return affords them the same advantage as filing a joint federal return; when they operate under such an illusion, they overpay their tax. For those taxpayers who are aware of the disadvantage of filing a joint return if both spouses have income, there arises a problem of arbitrary allocation of itemized deductions and exemptions and the resulting problem of over-and understating tax liabilities.

An additional problem of equity among taxpayers arises in the Montana law. The federal law regards the husband and wife as one taxpaying unit. Under federal law, tax-paying units with equal taxable income, regardless of source, pay the same tax. But this is not so in Montana. An example should clarify the situation. Suppose there are two families. Family A has $6,000 taxable income all earned by the husband. Family B has $6,000 taxable income but the husband earns $4,000 and the wife earns $2,000. The tax on family unit A will be

TABLE 8.5

Comparison of Tax Liabilities of Single Persons and Married Couples if Income Splitting Were Allowed Under Montana Law

Taxable Income	Tax Liabilities of Single Persons	Tax Liabilities of Married Couples	Dollar Amount of Difference	Difference as a Percent of Single Person's Tax
$ 1,000	$ 20	$ 20	$ 0	--
2,000	50	40	10	20
3,000	90	70	20	22
5,000	180	140	40	22
7,500	320	240	80	25
10,000	490	360	130	27
15,000	900	640	260	29
20,000	1,350	980	370	27
25,000	1,850	1,380	470	25
30,000	2,350	1,800	550	23
35,000	2,850	2,250	600	21
50,000	4,500	3,700	800	18
100,000	10,000	9,000	1,000	10
200,000	21,000	20,000	1,000	5
400,000	43,000	42,000	1,000	2
1,000,000	109,000	108,000	1,000	1

Source: Montana Fiscal Affairs Study.

TABLE 8.6

Comparison of Marginal Tax Rates for Single Persons and Married Couples, Montana Rate Schedule if Income Splitting Were Allowed on Joint Returns

Taxable Income Bracket (Thousands of Dollars)		Single Person	Married Couple	Difference
Over	Not Over	(Percent)	(Percent)	(Percent)
0	1	2	2	-
1	2	3	2	1
2	4	4	3	1
4	6	5	4	1
6	8	6	4	2
8	10	7	5	2
10	12	8	5	3
12	14	8	6	2
14	16	9	6	3
16	20	9	7	2
20	28	10	8	2
28	35	10	9	1
35	40	11	9	2
40	70	11	10	1
70	--	11	11	-

Source: Montana Income Tax Returns, 1968.

$230. But the tax on B will be $180. Clearly, if the husband and wife are defined as a tax-paying unit, the Montana law discriminates against the one-earner couple.

If income splitting is seriously considered, problems of impact on rate progressivity, equity between married couples and single persons and between family units and alteration of revenue should be of major concern. All of these problems can be treated satisfactorily and with relatative ease.

Characteristics of the Montana Income Tax by Brackets

Table 8.7 shows that of the 263,590 returns filed in 1967, the average gross income of all returns was $5,456 and the average tax paid was $102.82. The average gross income and average tax paid of all returns correspond very closely to average income and tax paid in the $5,000 to $7,000 gross income brackets. Tax paid as a percent of gross income averaged 1.88 percent for all returns in 1967.

Average gross income and average tax paid show a steady rise from one gross income bracket to the next throughout the range of brackets. However, tax paid as a percent of gross income begins at 0.43 percent in the lowest bracket and rises steadily to a maximum of 3.99 percent at just under $50,000 gross income, and then falls steadily from there to the top bracket of gross income. The only explanation which seems plausible for the falling off of average tax rates beyond the $50,000 level of gross income is that the federal income tax deduction overtakes the rate gradation in the statutory rates at that point.

Table 8.8 was prepared to shed some light on the relationship between the amount of gross income, the number of tax return units, and the tax paid. The data in Table 8.8 are cumulative percentages of gross income, number of returns, and tax paid. These cumulative percentages show what percent of each item is comprised within and below each income bracket. Fifty-one percent of the income tax paid was paid by 89 percent of the tax return units which had 67 percent of the adjusted gross income and fell in gross income brackets below $10,000. Even more striking is the fact that 96 percent of the tax return units fell below $15,000 gross income, and out of 82 percent of the gross income, they paid 69 percent of the income tax. Also, only 36 percent of the tax paid came from 80 percent of the tax return units having 52 percent of gross income. It is evident from Table 8.8 that if the income tax is expected to produce large amounts of revenue, it must come from lower-income brackets. Only 18 percent of gross income and only 4 percent of the tax return units fall above $15,000 of gross income. However, tax return units falling above $15,000 gross income pay 31 percent of the tax.

TABLE 8.7

Number of Returns, Average Gross Income and Tax Paid, and Tax Paid as a Percent of Gross Income by Level of Gross Income for Montana Income Tax Taxable Year 1967

Level of Gross Income (Thousands of Dollars)		Number of Returns	Average Gross Income (Dollars)	Average Tax Paid (Dollars)	Tax Paid as Percent of Gross Income (Percent)
Over	Not Over				
	0	5,847	------	--------*	----
0	1	28,494	585	2.49	0.43
1	2	35,186	1,481	10.48	0.71
2	3	28,213	2,487	24.07	0.97
3	4	26,900	3,493	40.22	1.15
4	5	23,903	4,491	58.65	1.31
5	6	22,593	5,497	77.94	1.42
6	7	21,569	6,491	102.69	1.58
7	8	18,518	7,476	118.75	1.59
8	9	13,906	8,471	144.83	1.71
9	10	10,144	9,471	180.50	1.91
10	15	19,025	11,817	267.65	2.26
15	20	4,521	17,067	506.97	2.97
20	28	2,512	23,332	820.46	3.52
28	50	1,693	35,618	1,422.92	3.99
50	75	318	59,773	2,283.02	3.82
75	100	99	86,697	2,565.66	2.96
100	---	149	220,872	3,791.95	1.72
Total		263,590	5,456	102.82	1.88

Source: Thirty-third Biennial Report of the Montana State Board of Equalization to the Governor and members of the Forty-first Legislative Assembly, p. 18.

* $79,000 was paid by persons reporting no adjusted gross income.

TABLE 8.8

Cumulative Percentages of Gross Income, Number of Returns and Tax Paid by Gross Income Bracket, Montana Income Tax Taxable Year 1967

Gross Income Bracket (Thousands of Dollars) Over	Not Over	Adjusted Gross Income (Cumulative Percentage)	Number of Returns (Cumulative Percentage)	Tax Paid (Cumulative Percentage)
	0	0	2	0
0	1	1	13	1
1	2	5	26	2
2	3	10	37	4
3	4	16	47	8
4	5	24	56	13
5	6	32	65	20
6	7	42	73	28
7	8	52	80	36
8	9	60	85	44
9	10	67	89	51
10	15	82	96	69
15	20	88	98	78
20	28	92	99	85
28	50	96	99	94
50	75	97	99	97
75	100	98	99	98
100	---	100	100	100

Sources: Thirty-third Biennial Report of the Montana State Board of Equalization to the Governor and members of the Forty-first Legislative Assembly, p. 18.

Montana Fiscal Affairs Study.

The Distribution of Income Tax Burdens Among Counties

Income tax paid, in relation to gross income, depends upon the exemptions and deductions from gross income and the rate structure applied to taxable income. One might expect that if there are wide differences in gross income levels and family size among the counties, and if there are widely different proportions of families owning houses, there should be wide differences in tax paid as a percent of gross income.

Table 8.9 shows that the Montana income tax is surprisingly uniform in the fifty-six counties with perhaps four exceptions. Income tax as a percent of adjusted gross income ranged from 1.5 percent to 3.0 percent among the fifty-six counties. Liberty County had the highest tax as a percent of gross income at 3.0 percent of gross income. Fourteen counties had tax payments of 1.8 percent of gross income and twelve counties had tax payments amounting to 1.9 percent of gross income. The range of tax payments as a percent of gross income does not exceed 0.7 percent in fifty-two of the fifty-six counties.

The uniformity of tax payments as a percent of gross income among the counties indicates similarity in the distribution of gross income of taxpayers among the counties. Furthermore, any differences in factors affecting the level of exemptions and deductions do not have a marked impact on tax burdens among the counties.

Table 8.10 was prepared to show the percent of net income tax contributed by county groups according to population size. Twenty-two counties in the 0 to 5,000 population group contained 9 percent of the state population and paid about 6.6 percent of the income tax in 1967. Thirteen counties in the 5,000 to 10,000 population group had 13 percent of the population and paid nearly 12 percent of the income tax. Together these two population size groups comprise two-thirds of the counties, a little over one-fifth of the population, and pay less than one-fifth of Montana income tax. The remaining twenty-one counties paid 77 percent of the income tax and contained 77 percent of the state population. Three counties (Cascade, Missoula, and Yellowstone) paid over one-third of the Montana income tax in 1967. Seven of the largest counties in the state in terms of population had 51 percent of the population and paid 55 percent of the income tax in 1967. Montana collected less than 5 percent of its income tax in 1967 from out-of-state residents.

Interstate Income Tax Comparisons

The individual income tax over the past ten years has been the subject of frequent change. Each time specific changes in the individual income tax come under discussion, much of the debate centers on the relation of Montana's tax to those of other states and also the level of combined Montana and federal income taxes on income earners.

TABLE 8.9

Income Tax as a Percent of Adjusted Gross Income by Counties
Montana Income Tax
Taxable Year 1967

Income Tax as a Percent of Gross Income	Number of Counties	Counties
1.5	3	Deer Lodge, Jefferson, Sweet Grass
1.6	4	Carbon, Mineral, Petroleum, Wibaux
1.7	7	Carter, Golden Valley, Granite, Lake, Park, Stillwater, Wheatland
1.8	14	Broadwater, Dawson, Fallon, Flathead, Garfield, McCone, Madison, Musselshell, Powell, Ravalli, Rosebud, Sanders, Silver Bow, Treasure
1.9	12	Beaverhead, Big Horn, Blaine, Custer, Lewis and Clark, Lincoln, Meagher, Missoula, Prairie, Roosevelt, Valley, Yellowstone
2.0	5	Cascade, Fergus, Glacier, Judith Basin, Powder River
2.1	6	Daniels, Gallatin, Hill, Richland, Sheridan, Teton
2.2	1	Phillips
2.3	1	Toole
2.4	1	Pondera
2.5	--	
2.6	1	Chouteau
2.7	--	
2.8	--	
2.9	--	
3.0	1	Liberty
1.88		

Source: Thirty-third Biennial Report of the Montana State Board of Equalization to the Governor and members of the Forty-first Legislative Assembly, p. 18.

TABLE 8.10

Percent of Income Tax Paid by Counties According to Groups of Counties by Size of Population, Montana Income Tax Taxable Year 1967

Population Size	Number of Counties	Percent of Population*	Percent of Income Tax Paid**	Counties
0-5,000 0	22	9	6.6	Broadwater, Carter, Daniels, Fallon, Garfield, Golden Valley, Granite, Jefferson, Judith Basin, Liberty, McCone, Meagher, Mineral, Musselshell, Petroleum, Powder River, Prairie, Stillwater, Sweet Grass, Treasure, Wheatland, Wibaux
5,000-10,000	13	13	11.8	Beaverhead, Blaine, Carbon, Chouteau, Madison, Phillips, Pondera, Powell, Rosebud, Sanders, Sheridan, Teton, Toole
10,000-50,000	18	41	43.3	Big Horn, Custer, Dawson, Deer Lodge, Fergus, Flathead, Gallatin, Glacier, Hill, Lake, Lewis and Clark, Lincoln Park, Ravalli, Richland, Roosevelt, Silver Bow, Valley
Over 50,000	3	37	33.9	Cascade, Missoula, Yellowstone
Out-of-State	--	--	4.4	
Total	56	100	100.0	
Seven Largest Counties	7	51	55.1	Yellowstone, Cascade, Missoula, Silver Bow, Flathead, Lewis and Clark, Gallatin

Source: * Thirty-third Biennial Report of the Montana State Board of Equalization to the Governor and members of the Forty-first Legislative Assembly, p. 18.

** Bureau of Business and Economic Research.

Arguments about differences in Montana's income tax and other states focus on the fear that if Montana's tax gets out of line--too high in upper brackets--it will discourage wealthy persons from remaining in Montana and it will discourage them from coming to Montana. There is the fear that if wealthy persons are discouraged from coming to Montana, economic growth of the state's economy will be retarded. It is argued that these are the people that should be encouraged to come to Montana and undertake business ventures to stimulate economic growth and augment the financial resources of state and local governments in the state.

One other aspect of the discussion about change in the state individual income tax is the federal income tax. The federal income tax has steeply progressive rates and consequently, persons with high incomes pay substantial fractions of their incomes to the federal government. When the rate structure of the Montana income tax comes under discussion, opponents of steep gradation in upper brackets refer to the steep federal rates and point out that increasing the progression of state rates might discourage incentives.

Proponents of steep gradation of state income tax rates point out that because the state tax is deductible on the federal return, the federal government absorbs a significant portion of the state tax, especially on high incomes.

Interstate comparisons invariably emerge in the discussions and weigh heavily in the final legislative decision about income tax revision or change. But often comparisons are made which provide only very indirect and even inaccurate information about the actual differences among states being compared. It is therefore necessary to provide accurate information on actual differences between Montana's income tax and income taxes in other states.

Those factors most important when comparing income taxes among states are: (1) the level of dependent exemption allowances or credits for dependents; (2) whether the federal income tax is allowed as a deduction on the state return; (3) whether income splitting is allowed or not; and (4) the nature of the rate structure applied to taxable income in each state. Allowance for these factors provides an adequate basis for comparison of tax burdens among the states. In spite of the immense complexity of income taxes, allowance for these factors constitutes recognition of the dominant influences on income tax liabilities.

Comparison of Montana with Thirty Other States

Table 8.11 was prepared to point out the key provisions of the federal income tax. Provisions of the individual income taxes of thirty states including Montana are shown in the appendix to this chapter. A review of the major provisions of state taxes in these states serves as a foundation for state-by-state comparisons. It also serves to remind us of the complexities involved in making comparisons.

TABLE 8.11

Key Provisions of Federal and State Income Taxes
Taxable Year 1968

Federal

Exemptions..........$600 for each exemption; husband, wife, and each child

Deductions..........State income taxes are allowed as a deduction on federal returns.

Income Splitting....Allowed

Surcharge...........10 percent on basic tax liability during 1969 taxable year

Credit..............None

Rate Structure...

Taxable Income Over	Not Over	Percent Rate
$ 0	$ 1,000	14
1,000	2,000	15
2,000	3,000	16
3,000	4,000	17
4,000	8,000	19
8,000	12,000	22
12,000	16,000	25
16,000	20,000	28
20,000	24,000	32
24,000	28,000	36
28,000	32,000	39
32,000	36,000	42
36,000	40,000	45
40,000	44,000	48
44,000	52,000	50
52,000	64,000	53
64,000	76,000	55
76,000	88,000	58
88,000	100,000	60
100,000	120,000	62
120,000	140,000	64
140,000	160,000	66
160,000	180,000	68
180,000	200,000	69
200,000	-------	70

Source: All State Tax Guide (Commerce Clearing House, 1969).

Note: Provisions specified in the table are not exhaustive and do no specify all options open to taxpayers in each state. The provisions in the table are accurate for the purposes intended in making state-by-state comparisons in accordance with the computational methods used.

Ten of the forty states using individual income taxes employ provisions which render their income taxes incomparable with the thirty states used in this study. For example, Hawaii, Iowa, and Vermont allow a dependent credit against the state tax liability which is based on adjusted gross income. Illinois, Indiana, and Michigan do not allow personal deductions in computing taxable income. Massachusetts, New Hampshire, and Tennessee tax only that income earned from intangible personal property such as stocks, bonds, and bank accounts. New Jersey taxes only income of commuters who live in New Jersey but work and earn income in New York City and elsewhere. We have omitted these states from the comparisons because their inclusion would have greatly magnified comparison problems.

The federal individual income tax law allows the deduction of state income tax liabilities on federal returns. Taxpayers in every state having state income taxes declare this deduction when itemizing deductions on their federal returns. However, not every state allows deduction of the federal income tax on state returns. Fourteen of the thirty states in this study do not allow the federal tax to be deducted on the state tax return. Additionally, in Delaware federal taxes in excess of $300 are deductible and in South Carolina the federal tax deduction is limited to $500 per taxpayer. Fourteen of the thirty states allow full deduction of the federal income tax on state returns.

States vary widely in the treatment of dependent exemptions. Out of the thirty states studied, only seven including Montana in 1969 followed the federal law allowing $600 for each dependent. Nine states gave special treatment to married couples by allowing up to $5,000 for each married couple and then specifying a different amount of exemption for each child or other dependent. Six states use dependent credits rather than exemptions and out of those six states, two differentiated the amount of credit going to married couples and the amount going to dependents. Colorado allows a dependent exemption of $750 for each dependent and to offset the sales tax grants a $7 dependent credit against the income tax liability. Alaska and Nebraska do not make provisions in their state laws for dependent exemptions in addition to those already allowed by the federal law. Mississippi allows a flat $6,000 exemption per income tax return. The remaining states allow exemptions of equal amounts for each dependent but generally an amount in excess of the $600 allowed by the federal government.

The federal income tax law allows income splitting. Nine of the thirty states in this study allow income splitting. California, Idaho, Kansas, Louisiana, Maine, New Mexico, Oklahoma, Oregon, and West Virginia allow married couples to compute their tax liability by dividing their combined income in half, applying the appropriate tax rates to get the tax and then multiplying that tax by two. This scheme is identical to an optional tax table in which brackets are double the size of those for a person filing a single return.

Alaska and Nebraska have income tax rates which are a constant percent of the federal income tax. Although these two states do not specify a "rate structure," such structures can be represented by taking 10 percent times the current federal marginal rates for Nebraska and by taking 16 percent times the 1963 federal marginal rates for Alaska.

Table 8.12 illustrates the wide variation in rate structures among the thirty states. The rates in the lowest taxable income bracket, $0 to $1,000, range from 1 percent in eight states to 4 percent in Oregon. Montana has the seventh highest rate in the lowest income bracket. The highest rates imposed by the states range from 4 percent in Mississippi and Missouri to 14.6 percent in Alaska. Montana has the third highest top marginal rate among the thirty states exceeded only by Alaska and New York. Progressivity in the effective rates depends upon how quickly the rate schedule reaches its peak on the income scale. Although Alaska's rate structure has a maximum rate of 14.6 percent, it does not reach that maximum until the $200,000 income level. New York's rate schedule reaches a maximum of 14 percent and does so at an income level of $23,000. Montana's rate structure reaches a maximum 12.1 percent rate on taxable incomes over $35,000. To illustrate the importance of the level of income at which a rate schedule reaches its maximum, let us compare several states. New Mexico's rate structure has a maximum rate of 9 percent and it does not reach that maximum until the $200,000 income level. Minnesota's rate structure reaches 9 percent at the $7,000 income level. Thus, in New Mexico a couple with $200,001 taxable income would have only $1 subject to the 9 percent rate, whereas in Minnesota that couple would have $193,001 subject to at least a 9 percent rate.

Table 8.13 shows state income taxes paid by married couples with two children (four exemptions) for each of the thirty states including Montana. Income levels shown are net incomes after deductions, except federal taxes and before exemptions have been subtracted out. For the purposes of the computations in Table 8.13 and subsequent tables, it was assumed that one spouse earned all the income and all taxpayers itemized deductions. The computations accounted for the number and level of exemptions in each state, the federal income tax deduction if the states allowed it as a deduction, income splitting, and the individual state rate structures.

The state income tax liability in Idaho ranks highest at the $2,500, $5,000, and $7,500 income levels. At the $10,000 and $15,000 income levels, Minnesota exacts the most state income tax from the taxpayer. New York has the highest income tax liability of all the states at all income levels above $15,000. Louisiana, Kentucky, and Missouri are the states exacting the least from their taxpayers. The state income tax liability in Montana ranks in the top ten among the thirty states up to and including the $50,000 income level. In other words, Montana's income tax liability ranks in the top one-third of the thirty states studied for income levels below $100,000. At income levels above $100,000, Montana's tax liability tends toward the middle of the states.

Utah has a mildly progressive income tax. Utah's tax ranks sixth from the bottom in amount exacted from taxpayers at the top three income levels.

TABLE 8.12

Schedules of Individual Income Tax Rates Used by Federal Government and Thirty States Including Montana by Taxable Income Brackets Taxable Year 1969

(Rates in Percent)

Taxable Income (000) Over	Not Over	Fed.[1]	Ala.	Alaska	Ariz.	Ark.	Cal.[1]	Colo.	Del.	Ga.	Ida.[1]	Kans.[1]	Ky.	La.[1]	Me.[1]	Md.	Minn.	Miss.	Mo.	Mont.[2]	Neb.	New Mex.[1]	New York	N. Caro.	N. Dak.	Okla.[1]	Ore.[1]	S. Caro.	Utah	Va.	W. Va.[1]	Wis.
$ 0	$ 1	14	1.5	3.2	2	1	1	3	1.5	1	2.5	2	2	2	1	2	1.5-2	3	1	2.2	1.4	1	2	3	1	1	4	2	2	2	1.2	2.7
1	2	15	3	3.2	2	1	1	3.5	2	2	2.5	2	2	2	1	3	3	3	1.5	3.3	1.5	1.5	3	3	1	1	5	2	3	2	1.2	2.95
2	3	16	3	3.5	3	1	1	4	3	2	5	2	2	2	1	4	5	3	2	4.4	1.6	1.5	3	4	1	1	6	3	4	2	1.2	3.2
3	4	17	4.5	3.5	3	2	1	4.5	4	3	5	2	3	2	1	5	6	3	2.5	4.4	1.7	2	4	4	2	2	6	3	5	3	1.2	4.2
4	5	19	4.5	4.2	4	2	2	5	5	3	6	3.5	4	2	2	5	7	3	2.5	5.5	1.9	2.5	4	5	3	2	7	4	6	3	1.3	4.7
5	6	19	5	4.2	4	2	2	5.5	6	4	6	3.5	5	2	2	5	8	4	3	5.5	1.9	2.5	5	5	5	2	7	4	6.5	5	1.3	5.2
6	7	19	5	4.8	5	3	2	6	7	4	7	4	5	2	2	5	8	4	3	6.6	1.9	3	5	6	7.5	3	8	5	6.5	5	1.3	5.7
7	8	19	5	4.8	5	3	3	6.5	7	5	7	4	5	2	2	5	9	4	3.5	6.6	1.9	3	6	6	7.5	3	8	5	6.5	5	1.3	6.7
8	9	22	5	5.4	6	3	3	7	8	5	8	4	6	2	2	5	9	4	3.5	7.7	2.2	3.5	6	6	10	3	9	6	6.5	5	1.6	7.2
9	10	22	5	5.4	6	3	3	7.5	8	5	8	4	6	2	2	5	10	4	4	7.7	2.2	3.5	7	6	10	4	9	6	6.5	5	1.6	7.7
10	11	22	5	6.1	7	3	4	8	8	6	9	5	6	2	3	5	10	4	4	8.8	2.2	4	7	7	10	4	10	7	6.5	5	1.6	8.2
11	12	22	5	6.1	7	4	4	8	8	6	9	5	6	2	3	5	10	4	4	8.8	2.2	4	8	7	10	4	10	7	6.5	5	1.6	8.7
12	13	25	5	6.9	8	4	4	8	8	6	9	5	6	2	3	5	10-11	4	4	8.8	2.5	4.5	8	7	10	5	10	7	6.5	5	1.8	9.2
13	14	25	5	6.9	8	4	5	8	8	6	9	5	6	2	3	5	11	4	4	8.8	2.5	4.5	9	7	10	5	10	7	6.5	5	1.8	9.7
14	15	25	5	7.5	8	4	5	8	8	6	9	6.5	6	2	3	5	11	4	4	9.9	2.5	5	9	7	10	5	10	7	6.5	5	1.8	10
15	16	25	5	7.5	8	4	5	8	8	6	9	6.5	6	2	3	5	11	4	4	9.9	2.5	5	10	7	11	6	10	7	6.5	5	1.8	10
16	17	28	5	8.0	8	4	6	8	8	6	9	6.5	6	2	3	5	11	4	4	9.9	2.5	6	10	7	11	6	10	7	6.5	5	2.0	10
17	18	28	5	8.0	8	4	6	8	8	6	9	6.5	6	2	3	5	11	4	4	9.9	2.8	6	11	7	11	6	10	7	6.5	5	2.0	10
18	19	28	5	8.5	8	4	6	8	8	6	9	6.5	6	2	3	5	11	4	4	9.9	2.8	6	11	7	11	6	10	7	6.5	5	2.0	10
19	20	28	5	8.5	8	4	7	8	8	6	9	6.5	6	2	3	5	11	4	4	9.9	2.8	6	12	7	11	6	10	7	6.5	5	2.0	10
20	21	32	5	9.0	8	4	7	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.2	7	12	7	11	6	10	7	6.5	5	2.3	10
21	22	32	5	9.0	8	4	7	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.2	7	13	7	11	6	10	7	6.5	5	2.3	10
22	23	32	5	9.4	8	4	8	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.2	7	13	7	11	6	10	7	6.5	5	2.3	10
23	24	32	5	9.4	8	4	8	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.2	7	14	7	11	6	10	7	6.5	5	2.3	10
24	25	36	5	9.4	8	4	8	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.6	7.5	14	7	11	6	10	7	6.5	5	2.6	10
25	26	36	5	9.4	8	5	9	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.6	7.5	14	7	11	6	10	7	6.5	5	2.6	10
26	27	36	5	9.9	8	5	9	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.6	7.5	14	7	11	6	10	7	6.5	5	2.6	10
27	28	36	5	9.9	8	5	9	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.6	7.5	14	7	11	6	10	7	6.5	5	2.6	10
28	29	39	5	9.9	8	5	10	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.9	7.5	14	7	11	6	10	7	6.5	5	2.8	10
29	30	39	5	9.9	8	5	10	8	8	6	9	6.5	6	4	4	5	12	4	4	11.0	3.9	7.5	14	7	11	6	10	7	6.5	5	2.8	10
30	32	39	5	9.9	8	5	10	8	9	6	9	6.5	6	4	4	5	12	4	4	11.0	3.9	7.5	14	7	11	6	10	7	6.5	5	2.8	10
32	35	42	5	10.4	8	5	10	8	9	6	9	6.5	6	4	4	5	12	4	4	11.0	4.2	7.5	14	7	11	6	10	7	6.5	5	3.0	10
35	36	42	5	10.4	8	5	10	8	9	6	9	6.5	6	4	4	5	12	4	4	12.1	4.2	7.5	14	7	11	6	10	7	6.5	5	3.0	10
36	40	45	5	10.4-11.0	8	5	10	8	9	6	9	6.5	6	4	4	5	12	4	4	12.1	4.5	7.5	14	7	11	6	10	7	6.5	5	3.1	10
40	44	48	5	11.0	8	5	10	8	9	6	9	6.5	6	4	4	5	12	4	4	12.1	4.8	8	14	7	11	6	10	7	6.5	5	3.4	10
44	50	50	5	11.5	8	5	10	8	9	6	9	6.5	6	4	4	5	12	4	4	12.1	5.0	8	14	7	11	6	10	7	6.5	5	3.5	10
50	52	50	5	12.0	8	5	10	8	10	6	9	6.5	6	4	5	5	12	4	4	12.1	5.0	8	14	7	11	6	10	7	6.5	5	3.5	10
52	64	53	5	12.0-12.5	8	5	10	8	10	6	9	6.5	6	4	5	5	12	4	4	12.1	5.3	8	14	7	11	6	10	7	6.5	5	3.7	10
64	76	55	5	12.5-13.0	8	5	10	8	10	6	9	6.5	6	4	5	5	12	4	4	12.1	5.5	8	14	7	11	6	10	7	6.5	5	3.9	10
76	88	58	5	13.0-13.4	8	5	10	8	10	6	9	6.5	6	4	5	5	12	4	4	12.1	5.8	8	14	7	11	6	10	7	6.5	5	4.1	10
88	100	60	5	13.4-13.9	8	5	10	8	10	6	9	6.5	6	4	5	5	12	4	4	12.1	6.0	8	14	7	11	6	10	7	6.5	5	4.3	10
100	120	62	5	14.2	8	5	10	8	11	6	9	6.5	6	6	6	5	12	4	4	12.1	6.2	8.5	14	7	11	6	10	7	6.5	5	4.5	10
120	140	64	5	14.2	8	5	10	8	11	6	9	6.5	6	6	6	5	12	4	4	12.1	6.4	8.5	14	7	11	6	10	7	6.5	5	4.7	10
140	160	66	5	14.2-14.4	8	5	10	8	11	6	9	6.5	6	6	6	5	12	4	4	12.1	6.6	8.5	14	7	11	6	10	7	6.5	5	4.9	10
160	180	68	5	14.4	8	5	10	8	11	6	9	6.5	6	6	6	5	12	4	4	12.1	6.8	8.5	14	7	11	6	10	7	6.5	5	5.0	10
180	200	69	5	14.4	8	5	10	8	11	6	9	6.5	6	6	6	5	12	4	4	12.1	6.9	8.5	14	7	11	6	10	7	6.5	5	5.2	10
200	300	70	5	14.6	8	5	10	8	11	6	9	6.5	6	6	6	5	12	4	4	12.1	7.0	9	14	7	11	6	10	7	6.5	5	5.3	10
300	400	70	5	14.6	8	5	10	8	11	6	9	6.5	6	6	6	5	12	4	4	12.1	7.0	9	14	7	11	6	10	7	6.5	5	5.4	10
400	---	70	5	14.6	8	5	10	8	11	6	9	6.5	6	6	6	5	12	4	4	12.1	7.0	9	14	7	11	6	10	7	6.5	5	5.5	10

Source: Derived from Table 8.11

1. Rate structures correspond to incomes in accordance with income splitting schemes.

2. Rates include the 10 percent surcharge.

TABLE 8.13

State Tax Liability by Income Level After Deductions Except for Federal Income Taxes, but Before Exemptions Montana and Twenty-nine States

	Family of Four										
	Income After All Deductions Except for Federal Taxes, but Before Exemptions										
State	$2,500	$5,000	$7,000	$10,000	$15,000	$25,000	$50,000	$100,000	$200,000	$500,000	$1,000,000
Alabama	--	15	75	165	357	711	1,401	2,409	3,869	7,472	13,452
Alaska[1]	3	83	167	254	465	1,003	3,022	8,296	21,198	64,382	137,382
Arizona	--	27	80	150	334	823	1,861	3,383	5,596	11,040	20,074
Arkansas[1]	--	23	88	163	353	753	2,003	4,503	9,503	24,503	49,509
California[1, 3]	--	---	49	124	344	1,024	3,494	8,494	18,494	48,494	98,494
Colorado	--	14	86	177	412	981	2,109	3,761	6,166	12,075	21,879
Delaware[1]	2	50	131	251	547	1,120	2,268	4,169	7,228	15,375	29,196
Georgia[1]	--	8	59	142	388	988	2,488	5,488	11,488	29,488	59,488
Idaho[3]	45	156	285	432	770	1,419	2,704	4,582	7,317	14,020	25,141
Kansas[3]	2	44	87	158	312	713	1,618	2,943	4,867	9,609	17,478
Kentucky	--	35	135	244	482	924	1,820	3,202	5,356	10,955	20,259
Louisiana[3]	--	---	16	56	132	271	685	1,483	2,638	6,491	13,726
Maine[1, 3]	--	10	35	80	190	500	1,500	3,960	9,920	27,920	57,920
Maryland[1]	--	44	155	280	530	1,030	2,280	4,780	9,780	24,780	49,780
Minnesota	--	124	284	462	850	1,650	3,398	5,966	9,722	18,891	34,096
Mississippi[1]	--	---	45	120	310	710	1,710	3,710	7,710	19,710	39,710
Missouri	--	16	55	107	234	515	1,063	1,862	3,018	5,878	10,624
MONTANA	2	63	155	268	548	1,217	2,769	5,312	9,094	18,347	33,691
Nebraska[1]	--	11	55	102	213	493	1,558	4,346	10,904	31,902	66,902
New Mexico[1, 3]	1	33	74	140	309	809	2,438	5,886	13,090	35,849	73,983
New York[1]	--	43	140	271	623	1,703	5,199	12,199	26,199	68,199	138,199
N. Carolina[1]	--	54	155	288	606	1,306	3,056	6,556	13,556	34,556	69,556
N. Dakota	--	19	48	125	457	1,199	2,782	5,112	8,516	16,849	30,670
Oklahoma[3]	--	16	41	80	188	506	1,288	2,434	4,095	8,196	15,002
Oregon[2, 3]	3	104	232	379	726	1,474	3,007	5,374	9,072	18,628	34,500
S.Carolina[1]	--	28	94	195	491	1,191	2,941	6,441	13,441	34,441	69,441
Utah	2	57	153	280	531	994	1,903	3,230	5,157	9,899	17,768
Virginia[1]	--	48	117	240	490	990	2,240	4,740	9,740	24,740	49,740
W. Virginia[1, 3]	1	31	62	95	175	376	1,130	3,101	7,939	24,132	51,632
Wisconsin[1]	30	125	246	400	767	1,600	3,683	7,849	16,182	41,181	82,844
States Above Montana	4	5	5	8	6	6	9	10	14	17	17
Highest State	Ida.	Ida.	Ida.	Minn.	Minn.	New York	New York	New York	New York	New York	New York
Lowest State	---	---	La.	La.	La.	Ky.	La.	La.	La.	Mo.	Mo.

Source: Montana Fiscal Affairs Study.

1. Federal income tax paid not deductible on state return. Federal tax paid in excess of $300 is deductible in Delaware. Federal tax paid over $500 is not deductible on state return in S. Carolina.

2. Surtax portion of federal income tax not deductible on state return; basic federal tax is deductible.

3. Income splitting allowed.

New Mexico's rate structure achieves the 9 percent rate but only at $200,000 income. Because it reaches 9 percent at only very high levels of income, New Mexico's rate structure is more moderately progressive than the rate structures of Idaho, Montana, Minnesota, New Mexico, North Dakota, and Oregon.

Taxpayers with incomes above $25,000 pay more state income tax in New York than in any of the other twenty-nine states. This is because of the high and progressive rate structure and because New York does not allow the federal deduction.

The rate structures of Oregon, Idaho, and Minnesota are among the stiffest in low-income brackets and these three states have the highest tax liabilities up to the $25,000 income level. But the highest rate structures among these three states do not necessarily result in the highest state tax liability. For example, Oregon has the highest marginal rates up to $3,000 taxable income, but Idaho exacts more from its taxpayers than Oregon at lower-income levels. Thus, other features of the tax laws can result in tax liabilities different than expected by comparing rate structures.

On the basis of the rate structures in Oregon and Idaho, one would expect Oregon to collect more tax from low-income taxpayers than Idaho, but in fact, Oregon collects less. The basic feature in the two laws which produces the anomaly is the level of exemptions. Oregon follows the federal scheme for exemptions--$600 for taxpayer, spouse, and each child. However, Idaho does not allow dependent exemptions but rather allows dependent credits of $10. Also, Idaho charges a return fee of $10 for each return filed. Hence, a family of four in Idaho is allowed a net credit of $30 and in Oregon the family is allowed exemptions amounting to $2,400. Obviously, the level of exemptions in Oregon is greater than in Idaho and by an amount large enough to offset the higher rates in Oregon. An example will clarify the situation. Suppose two families, one in Idaho and one in Oregon, each have $3,500 net income after all deductions but before exemptions are subtracted. The tax in Oregon would be computed by subtracting $2,400 from $3,500 and computing the tax. In Oregon the tax on $1,100 taxable income is $45. In Idaho the tax is computed by determing the tax on $3,500 taxable income and subtracting $30 from the tax. The tax in Idaho for the family of four is $125. The net credit for each dependent would have to be $20 higher in Idaho to afford the family in Idaho the same benefit from credits as the $600 per dependent exemption in Oregon. The level and nature of exemptions used by states is important to the relationship of income taxes paid by income levels. The dependent credit scheme in Idaho results in higher tax liabilities at lower-income levels in Idaho than in Oregon, even though Oregon's rate structure is higher at lower levels. The influence of exemption schemes is most dominant at low-income levels.

Alaska and Nebraska employ the much discussed "flat percent of federal tax scheme" for their state income tax. It is interesting to assess how these schemes stack up against the schemes of other states. Although Alaska and Nebraska use the same general idea concerning state income taxation, the results of the two taxes provide a striking contrast. The contrast in the two states is primarily the difference in the amount of tax liability. The Alaska tax is more than double the Nebraska tax at all but the lowest income levels. It should be noted that the Alaska tax is more progressive than the Nebraska tax. Nebraska's tax follows the general profile of the current federal tax by income levels but Alaska's tax follows the profile of the 1963 federal income tax which was much stiffer than the current federal income tax.

Another feature of state income taxes, which render direct comparisons of rate structures among states virtually useless, is whether or not the states allow deduction of the federal income tax. At high-income levels the federal income tax deduction is an important offset to the progressivity of state income tax rate structures. On the other side of the coin, disallowing the federal income tax as a deduction lends tremendously to the progressivity of state income tax rate structures, especially at the high-income levels.

Deduction of State Income Taxes on Federal Return. Federal law allows deduction of state income taxes on federal returns. Consequently, the real net state tax burden is different than the tax liability determined on state income tax returns. The impact of the state income tax is overstated by the tax liability computed on state returns if a taxpayer itemizes deductions on the federal return.

The impact of deductibility of state income taxes paid on federal returns can be determined by subtracting the amount of federal tax liability of a taxpayer in a nonincome-tax-state from total combined federal and state income taxes paid. The result is the net addition to income taxes due to imposition of the state income tax.

Table 8.14 shows the combined state and federal income taxes paid by a married couple with two children at various income levels in the thirty states. The figures in Table 8.14 were computed by assuming equal itemized deductions on federal and state returns, except for income taxes paid. The data in Table 8.14 also account for other key income tax provisions of each state, such as exemptions, credits, income splitting, and credits and surcharges in 1969. The bottom row of Table 8.14 shows the federal tax liability in states with no income tax.

Deductibility of state income taxes on the federal return reduces the actual burden of state income taxes substantially below the apparent state tax liability. The importance of the state tax deduction rises as income levels and federal rates rise. In Montana the actual burden as a percent of apparent burden falls from 82 percent at $5,000 income to 25 percent at $500,000 and over.

At $5,000 income level, a taxpayer in Montana in reality pays a state tax 82 percent as high as that indicated on his state income tax return. This is because the reduction in federal income tax, due to the deduction of the state income tax on the federal return. This amounts to about 18 percent of the tax paid to the state. The reduction in

TABLE 8.14

Total State and Federal Taxes Paid by Income Levels After
Deductions Except for Income Taxes, but Before Exemptions
Montana and Twenty-nine States

	Family of Four										
	Income After All Deductions, Except for Income Taxes Paid, but Before Exemption										
State	$2,500	$5,000	$7,500	$10,000	$15,000	$25,000	$50,000	$100,000	$200,000	$500,000	$1,000,000
Alabama	15	437	971	1,564	2,910	6,194	18,077	48,933	121,189	352,729	739,104
Alaska	18	493	1,044	1,635	2,988	6,383	18,806	50,935	125,405	365,818	767,608
Arizona	15	447	975	1,553	2,893	6,266	18,284	49,264	121,605	353,549	740,627
Arkansas	15	444	982	1,563	2,097	6,221	18,347	49,645	122,547	356,646	747,396
California	15	425	951	1,532	2,900	6,397	19,018	51,002	124,723	362,164	758,664
Colorado	--	436	980	1,575	2,949	6,369	18,395	49,393	121,742	353,787	741,042
Delaware	17	465	1,015	1,633	3,048	6,459	18,467	49,531	121,998	354,546	742,725
Georgia	15	431	959	1,547	2,932	6,373	18,566	49,980	123,025	357,792	749,692
Idaho	53	553	1,138	1,776	3,215	6,653	18,663	49,672	122,020	354,235	741,793
Kansas	17	461	981	1,559	2,877	6,195	18,174	49,115	121,429	353,220	740,030
Kentucky	15	454	1,019	1,629	3,005	6,343	18,315	49,369	122,030	354,975	743,708
Louisiana	15	425	924	1,478	2,746	5,909	17,754	48,618	120,892	352,502	739,167
Maine	15	433	940	1,498	2,789	6,057	18,121	49,460	122,647	357,432	749,332
Maryland	15	461	1,035	1,656	3,035	6,401	18,472	49,739	122,613	356,709	747,459
Minnesota	12	527	1,136	1,800	3,276	6,803	18,975	50,142	122,599	355,355	743,852
Mississippi	15	425	948	1,529	2,876	6,193	18,216	49,375	122,115	355,543	745,143
Missouri	15	438	955	1,519	2,820	6,057	17,924	48,747	120,984	352,362	738,453
MONTANA	17	478	1,035	1,646	3,048	6,522	18,692	49,920	122,448	355,230	743,759
Nebraska	--	433	955	1,515	2,805	6,053	18,147	49,592	122,884	358,347	751,397
New Mexico	16	452	970	1,545	2,875	6,257	18,543	50,115	123,411	359,255	753,026
New York	--	460	1,023	1,649	3,103	6,837	19,821	52,319	126,665	366,696	767,796
N. Carolina	15	469	1,035	1,662	3,091	6,579	18,821	50,343	123,523	358,958	752,008
N. Dakota	15	440	950	1,533	2,983	6,510	18,698	49,852	122,309	354,885	743,064
Oklahoma	15	437	944	1,498	2,788	6,061	18,026	48,941	121,243	352,895	739,461
Oregon	18	511	1,097	1,736	3,187	6,705	18,879	50,210	123,230	357,668	748,946
S. Carolina	15	447	986	1,589	3,007	6,505	18,769	50,304	123,496	358,931	758,981
Utah	17	472	1,033	1,656	3,036	6,377	18,302	49,212	121,499	353,287	740,097
Virginia	15	464	1,004	1,624	3,006	6,375	18,454	49,726	122,604	356,700	747,450
W. Virginia	16	450	961	1,509	2,778	5,977	17,955	49,168	122,170	356,560	747,885
Wisconsin	41	528	1,107	1,752	3,212	6,770	19,105	50,783	124,156	360,482	755,064
States Above Montana	4	5	5	7	6	6	8	11	14	17	17
Federal Tax in States with No Income Tax	15	425	912	1,434	2,651	5,733	17,446	48,114	120,256	351,010	736,010

Source: Montana Fiscal Affairs Study.

federal tax due because of the state income tax deduction at the $25,000 income level amounts to 34 percent of state tax paid. At the $500,000 income level, the taxpayer receives a federal income tax reduction amounting to 75 percent of state tax paid because of the state income tax deduction on the federal return.

In dollar terms, a family with $5,000 after deductions, except for taxes, has a state tax due of $63 but their federal tax is reduced by $10 when they deduct the state tax liability. Hence, the net addition to total income taxes by imposition of the Montana income tax for this family is $53 (see Table 8.15). A family of four with an income of $25,000 has a state tax liability of $1,217 but after deducting that state tax on the federal return, their federal tax is reduced by $429. Thus, the net cost of the state tax to the family is $789 instead of the $1,217 paid to the state. For a family of four with income of $1,000,000, the state tax liability is $33,691. Duductibility of the state tax on the federal return reduces the federal tax by $25,943.

Deductibility of state income taxes on federal returns also significantly moderates state income tax differentials, especially at the high-income levels. This is because of the increasing importance of state income tax deductions at higher marginal federal rates. Montana and Utah are compared to illustrate the moderating effect of state tax deductibility on state tax differentials at high-income levels. At income of $100,000, state tax liabilities are $5,312 and $3,230 in Montana and Utah respectively (see Table 8.13). The Montana taxpayer pays $2,082 more than the Utah taxpayer. However, when the reduction in federal taxes due to state tax deductions are accounted for, the net increase in taxes due to imposing state taxes in Montana and Utah are $1,806 and $1,098 respectively, a difference of $708 (see Table 8.15). The net cost to the Montana taxpayers is $708 more than the Utah taxpayers. The state tax differential was reduced by $1,374 solely because of state tax deductibility on the federal return.

Table 8.15 shows the net increase in total income taxes paid due to imposition of state income taxes in the ten states by income level. Subtracting the entries in Table 8.15 from the corresponding entries in Table 8.13 gives the amount of state income taxes "passed on" to the federal government. At all income levels and in all states, the state deduction on the federal return reduces the burden of state income taxes and by larger amounts as incomes increase. In fact, the reductions in net burden not only becomes larger as income levels increase but they become larger in proportion to income. When viewed in this way, state income taxes, thought to be progressive on the basis of progressive rate structures, may not be progressive at all.

State Income Tax Burden Comparisons. The concept of the net additional income tax due solely to imposition of state income taxes provides a very useful tool for comparing state taxes and their effect on location decisions. When making location decisions, a taxpayer is not particularly

TABLE 8. 15

Net Increase in Total Income Taxes Due to Imposition of State Income Tax

	Family of Four Net Income After All Deductions Except for Income Taxes Paid, but Before Exemption										
State	$2,500	$5,000	$7,500	$10,000	$15,000	$25,000	$50,000	$100,000	$200,000	$500,000	$1,000,000
Alabama	--	12	59	131	259	461	631	819	933	1,719	3,094
Alaska	3	68	132	201	337	650	1,360	2,821	5,149	14,808	31,598
Arizona	--	22	63	119	242	533	838	1,150	1,349	2,539	4,617
Arkansas	--	19	70	129	256	488	901	1,531	2,291	5,636	11,386
California	--	---	39	98	249	664	1,572	2,888	4,467	11,154	22,654
Colorado	--	11	68	141	298	636	949	1,279	1,486	2,777	5,032
Delaware	2	40	103	199	397	726	1,021	1,417	1,742	3,536	6,715
Georgia	--	6	47	113	281	640	1,120	1,866	2,769	6,782	13,682
Idaho	38	128	226	342	564	920	1,217	1,558	1,764	3,225	5,783
Kansas	2	36	69	125	226	462	728	1,001	1,173	2,210	4,020
Kentucky	--	29	107	195	354	610	869	1,255	1,774	3,965	7,698
Louisiana	--	---	12	44	95	176	308	504	636	1,492	3,157
Maine	--	8	28	64	138	324	675	1,346	2,391	6,422	13,322
Maryland	--	36	123	222	384	668	1,026	1,625	2,357	5,699	11,499
Minnesota	--	102	224	366	625	1,070	1,529	2,028	2,343	4,345	7,842
Mississippi	--	---	36	95	225	460	770	1,261	1,859	4,533	9,133
Missouri	--	13	43	85	169	334	478	633	728	1,352	2,443
MONTANA	2	53	123	212	397	789	1,246	1,806	2,192	4,220	7,749
Nebraska	--	8	43	81	154	320	701	1,478	2,628	7,337	15,387
New Mexico	1	27	58	111	224	524	1,097	2,001	3,155	8,245	17,016
New York	--	35	111	215	452	1,104	2,375	4,205	6,409	15,686	31,786
N. Carolina	--	44	123	228	440	846	1,375	2,229	3,267	7,948	15,998
N. Dakota	--	15	38	99	332	777	1,252	1,738	2,053	3,875	7,054
Oklahoma	--	12	32	64	137	328	580	827	987	1,885	3,451
Oregon	3	86	185	302	536	972	1,433	2,096	2,974	6,658	12,936
S. Carolina	--	22	74	155	356	772	1,323	2,190	3,240	7,921	15,971
Utah	2	47	121	222	385	644	856	1,098	1,243	2,277	4,087
Virginia	--	39	92	190	355	642	1,008	1,612	2,348	5,690	11,440
W. Virginia	1	25	49	75	127	244	509	1,054	1,914	5,550	11,875
Wisconsin	26	103	195	318	561	1,037	1,659	2,669	3,900	9,472	19,054
States Above Montana	4	5	5	8	6	6	9	10	15	17	17

Source: Montana Fiscal Affairs Study.

interested in total state tax liabilities but rather in the net addition to his total income tax bill, if he moved to one state from another. Table 8.15 provides data showing those net increases in total taxes so alternatives can be determined for the thirty states. However, comparisons can be made more easily if the amounts shown in Table 8.15 are standardized by converting to meaningful percentages.

The measure of income to divide into net additions to total tax bills by various state income taxes is not so obvious. Many choices exist and there is a measure of justification for each alternative. However, from the standpoint of a taxpayer making a location decision, it is appealing to use net income minus the federal tax paid, if the taxpayer lived in a nonincome-tax state. From a taxpayer's point of view, the federal tax paid if he lived in a nonincome-tax state is the minimum amount of income tax he faces. Likewise, net income minus the federal tax with no state tax imposed is the maximum income after taxes he could achieve.

When the net increase in total income taxes paid, due to levying a state income tax, is expressed as a percentage of income left if only the federal tax were imposed, the result is the net rate of state taxation.

Table 8.16 shows the net rate of state taxation for thirty states including Montana. The net rate rises from 0.1 percent at $2,500 to 4.1 percent at $25,000 and falls to 2.8 percent at $200,000 and rises again to 2.9 percent above $500,000 for Montana taxpayers. The same pattern of rates by income levels exists for all but five states; Alaska, California, Maine, Nebraska, and New Mexico, presumably because of the way in which the rate structures of these states stretch over taxable income brackets (see Table 8.12).

Idaho has the stiffest net rates at the $2,500 and $5,000 income levels and shares the lead with Minnesota at $7,500. Minnesota has the highest net rates at the $10,000 and $15,000 income levels. For income levels of $25,000 and above, New York has the highest net rates of taxation, sharing the lead with Alaska at the $1,000,000 income level.

California, Louisiana, and Mississippi state income taxes impose no net burden on their taxpayers having $5,000 income. Louisiana has the lowest net rates from $7,500 to $200,000. Missouri imposes the lowest net rates of income taxation at the $500,000 and $1,000,000 income levels.

The net rates of taxation by income bracket in Montana are above the average net rates of the thirty states at all but three income levels. The income levels for which Montana's net rates are below the thirty-states average are $200,000, $500,000, and $1,000,000, the three highest income levels. Montana's net rates of income taxation are not only higher in the middle income groups than the average of the thirty states but it increases faster from the $5,000 income level to the $50,000 income level. Thus, throughout the income ranges comprising most of the taxpayers, Montana's income tax is higher than average and it is more progressive than the average of the thirty states.

TABLE 8.16

Net Increase in Total Taxes Paid Due to Levying State Income Taxes Expressed as a Percent of Income Less Federal Tax Exclusive of State Income Tax Deductions Montana and Twenty-nine States 1969

	Family of Four										
	Income After All Deductions, Except for Federal Taxes, but Before Exemptions										
State	$2,500	$5,000	$7,500	$10,000	$15,000	$25,000	$50,000	$100,000	$200,000	$500,000	$1,000,000
Alabama	--	.3	.9	1.5	2.1	2.4	1.9	1.6	1.2	1.2	1.2
Alaska[1]	.1	1.5	2.0	2.4	2.7	3.4	4.2	5.4	6.5	9.9	12.0
Arizona	--	.5	1.0	1.4	2.0	2.8	2.6	2.2	1.7	1.7	1.8
Arkansas[1]	--	.4	1.1	1.5	2.1	2.5	2.8	3.0	2.9	3.8	4.3
California[1, 3]	--	--	.6	1.2	2.0	3.4	4.8	5.6	5.6	7.5	8.6
Colorado	--	.3	1.0	1.6	2.4	3.3	2.9	2.5	1.9	1.9	1.9
Delaware[1]	.1	.9	1.6	2.3	3.2	3.8	3.1	2.7	2.2	2.4	2.5
Georgia[1]	--	.1	.7	1.3	2.3	3.3	3.4	3.6	3.5	4.6	5.2
Idaho[3]	1.5	2.8	3.4	4.0	4.6	4.8	3.7	3.0	2.2	2.2	2.2
Kansas[3]	.1	.8	1.1	1.5	1.8	2.4	2.2	1.9	1.5	1.5	1.5
Kentucky	--	.6	1.6	2.3	2.9	3.2	2.7	2.4	2.2	2.7	2.9
Louisiana[3]	--	--	.2	.5	.8	.9	1.0	1.0	.8	1.0	1.2
Maine[1, 3]	--	.2	.4	.7	1.1	1.7	2.1	2.6	3.0	4.3	5.1
Maryland[1]	--	.8	1.9	2.6	3.1	3.5	3.2	3.1	3.0	3.8	4.3
Minnesota	--	2.2	3.4	4.3	5.1	5.6	4.7	3.9	2.9	2.9	3.0
Mississippi[1]	--	--	.5	1.1	1.8	2.4	2.4	2.4	2.3	3.0	3.5
Missouri	--	.3	.7	1.0	1.4	1.7	1.5	1.2	.9	.9	.9
MONTANA	.1	1.1	1.7	2.5	3.2	4.1	3.8	3.5	2.8	2.8	2.9
Nebraska[1]	--	.2	.7	1.0	1.3	1.7	2.2	2.9	3.3	4.9	5.8
New Mexico[1, 3]	*	.6	.9	1.3	1.8	2.7	3.4	3.9	4.0	5.5	6.5
New York[1]	--	.8	1.7	2.5	3.7	5.7	7.3	8.1	8.0	10.5	12.0
N. Carolina[1]	--	1.0	1.9	2.7	3.6	4.4	4.2	4.3	4.1	5.3	6.1
N. Dakota	--	.3	.6	1.2	2.7	4.0	3.9	3.4	2.6	2.6	2.7
Oklahoma[3]	--	.3	.5	.7	1.1	1.7	1.8	1.6	1.2	1.3	1.3
Oregon[2, 3]	.1	1.9	2.8	3.5	4.3	5.1	4.4	4.0	3.7	4.5	4.9
S. Carolina[1]	--	.5	1.1	1.8	2.9	4.0	4.1	4.2	4.1	5.3	6.1
Utah	.1	1.0	1.8	2.6	3.1	3.3	2.6	2.1	1.6	1.5	1.6
Virginia[1]	--	.9	1.4	2.2	2.9	3.3	3.1	3.1	2.9	3.8	4.3
W. Virginia[1, 3]	*	.6	.8	.9	1.0	1.3	1.6	2.0	2.4	3.7	4.5
Wisconsin[1]	1.0	2.3	3.0	3.7	4.6	5.4	5.1	5.1	4.9	6.4	7.2
30-State Average	.1	.8	1.4	1.9	2.6	3.3	3.2	3.2	3.0	3.8	4.3
States Above Montana	2	5	8	7	6	6	8	10	15	16	17

Source: Montana Fiscal Affairs Study.

1. Federal income tax paid not deductible on state return. Federal tax paid in excess of $300 is deductible in Delaware. Federal tax paid over $500 is not deductible on state return in S. Carolina.

2. Surtax portion of federal income tax not deductible on state return; basic federal tax is deductible.

3. Income splitting allowed.

* Less than .05 percent.

When comparisons were made between Montana's income tax and the income tax of nine other states using the 1968 rates and provisions, a quite different conclusion was evident. The changes made in Montana's income tax in the 1969 legislative session substantially increased Montana's income tax both in absolute terms and relative to other states.

APPENDIX TO CHAPTER 8

Rates and provisions of thirty state individual income tax laws.

TABLE A8.1

Alabama

Exemptions..........	$3,000 for a couple and an additional $300 for each dependent
Deductions..........	Federal deduction is allowed.
Income Splitting....	Not allowed
Surcharge...........	None
Credit..............	None
Rate Structure..	

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$1,000	1.5
1,000	3,000	3.0
3,000	5,000	4.5
5,000	-------	5.0

TABLE A8.2

Alaska

Exemptions..........	None but exemption effect is attained through using specific percentage of federal tax.
Deductions..........	Federal tax deduction is not allowed.
Income Splitting....	Not Allowed
Surcharge...........	None
Credit..............	None
Rate Structure......	The tax is 16 percent of the federal tax which would be payable for the taxable year using the federal tax rates in effect on December 31, 1963.

TABLE A8.3

Arizona

Exemptions	$2,000 for a couple and an additional $600 for each dependent
Deductions	Deduction of both state and federal income taxes is allowed.
Income Splitting	None
Surcharge	None
Credit	None
Rate Structure	

Taxable Income		
Over	Not Over	Percent Rate
$ 0	$ 2,000	2
2,000	4,000	3
4,000	6,000	4
6,000	8,000	5
8,000	10,000	6
10,000	12,000	7
12,000	------	8

TABLE A8.4

Arkansas

Exemptions..........$35 credit for a couple and a $6 credit for each child

Deductions..........Federal tax deduction is not allowed.

Income Splitting....Not allowed

Surcharge...........None

Credit..............None

Rate Structure..

Taxable Income		
Over	Not Over	Percent Rate
$ 0	$ 3,000	1
3,000	6,000	2
6,000	11,000	3
11,000	25,000	4
25,000	------	5

TABLE A8.5

California

Exemptions..........A $50 credit is allowed for a couple and an additional $8 credit is allowed for each dependent.

Deductions..........Deduction of federal tax is not allowed.

Income Splitting....Income splitting is allowed.

Surcharge...........None

Credit..............None

Rate Structure..

Taxable Income Over	Taxable Income Not Over	Percent Rate
$ 0	$ 4,000	1
4,000	7,000	2
7,000	10,000	3
10,000	13,000	4
13,000	16,000	5
16,000	19,000	6
19,000	22,000	7
22,000	25,000	8
25,000	28,000	9
28,000	------	10

TABLE A8.6

Colorado

Exemptions..........	$750 for each exemption qualifying on the federal return; $7 credit for each personal exemption claimed
Deductions..........	Federal income tax is allowed as a deduction on state return.
Income Splitting....	Not allowed
Surcharge...........	None
Credit..............	Credit of 1/2 of 1 percent on taxable income not in excess of $9,000

Rate Structure...

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 1,000	3.0
1,000	2,000	3.5
2,000	3,000	4.0
3,000	4,000	4.5
4,000	5,000	5.0
5,000	6,000	5.5
6,000	7,000	6.0
7,000	8,000	6.5
8,000	9,000	7.0
9,000	10,000	7.5
10,000	------	8.0

TABLE A8.7

Delaware

Exemptions..........	$600 each are allowed for the taxpayer, spouse, and each dependent.
Deductions..........	Federal income taxes in excess of $300 are deductible.
Income Splitting....	Not allowed
Surcharge...........	None
Credit..............	None

Rate Structure...

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 1,000	1.5
1,000	2,000	2.0
2,000	3,000	3.0
3,000	4,000	4.0
4,000	5,000	5.0
5,000	6,000	6.0
6,000	8,000	7.0
8,000	30,000	8.0
30,000	50,000	9.0
50,000	100,000	10.0
100,000	-------	11.0

TABLE A8.8

Georgia

Exemptions......... A couple is allowed an exemption of $3,000. A $600 exemption is allowed for each dependent.

Deductions..........Deduction of federal income tax is not allowed.

Income Splitting....Not allowed

Surcharge...........None

Credit..............None

Rate Structure...

Taxable Income Over	Not Over	Percent Rate
$ 0	$ 1,000	1
1,000	3,000	2
3,000	5,000	3
5,000	7,000	4
7,000	10,000	5
10,000	------	6

TABLE A8.9

Idaho

Exemptions..........$10 credit against taxes due allowed for each dependent qualifying on federal return

Deductions..........Federal tax deduction is allowed.

Income Splitting....Allowed

Surcharge..........None

Credit.............None

Return Charge.......$10 is paid with each return.

Rate Structure...

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 2,000	2.5
2,000	4,000	5.0
4,000	6,000	6.0
6,000	8,000	7.0
8,000	10,000	8.0
10,000	------	9.0

TABLE A8.10

Kansas

Exemptions..........$600 exemptions are allowed the taxpayer, spouse, and dependents

Deductions..........Deduction of the federal income tax is allowed (limited).

Income Splitting....Allowed

Surcharge...........None

Credit..............None

Rate Structure..

Taxable Income Over	 Not Over	Percent Rate
$ 0	$ 4,000	2.0
4,000	6,000	3.5
6,000	10,000	4.0
10,000	14,000	5.0
14,000	-------	6.5

TABLE A8.11

Kentucky

Exemptions..........	Credits of $20 each are allowed the taxpayer, spouse, and dependents.
Deductions..........	Deduction of federal income tax is allowed.
Income Splitting....	Not allowed
Surcharge...........	None
Credit..............	None

Rate Structure..

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$3,000	2
3,000	4,000	3
4,000	5,000	4
5,000	8,000	5
8,000	------	6

TABLE A8.12

Louisiana

Exemptions..........An exemption of $5,000 is allowed for a couple. An additional $400 is allowed for each dependent.

Deductions..........Deduction of federal income tax is allowed.

Income Splitting....Allowed

Surcharge...........None

Credit..............None

Rate Structure...

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 20,000	2
20,000	100,000	4
100,000	---------	6

TABLE A8.13

Maine

Exemptions	Exemptions of $1,000 are allowed for each qualified person.
Deductions	Deduction of federal tax is not allowed.
Income Splitting	Allowed
Surcharge	None
Credit	None

Rate Structure..

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 4,000	1
4,000	10,000	2
10,000	20,000	3
20,000	50,000	4
50,000	100,000	5
100,000	-------	6

TABLE A8.14

Maryland

Exemptions..........	An exemption of $800 is allowed for each qualifying person.
Deductions..........	Deduction of federal income tax is not allowed.
Income Splitting....	Not allowed
Surcharge...........	None
Credit..............	None

Rate Structure..

Taxable Income Over	Not Over	Percent Rate
$ 0	$1,000	2
1,000	2,000	3
2,000	3,000	4
3,000	-----	5

TABLE A8.15

Minnesota

Exemptions..........$19 credit allowed against taxes due for each personal exemption

Deductions..........Federal tax deduction is allowed.

Income Splitting....Not allowed

Surcharge...........None

Credit.............None

Rate Structure..

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 500	1.5
500	1,000	2.0
1,000	2,000	3.0
2,000	3,000	5.0
3,000	4,000	6.0
4,000	5,000	7.0
5,000	7,000	8.0
7,000	9,000	9.0
9,000	12,500	10.0
12,500	20,000	11.0
20,000	------	12.0

TABLE A8.16

Mississippi

Exemptions	$6,000 is allowed on returns.
Deductions	Deduction of federal income tax is not allowed.
Income Splitting	Not allowed
Surcharge	None
Credit	None

Rate Structure..

Taxable Income Over	Taxable Income Not Over	Percent Rate
$ 0	$5,000	3
5,000	-----	4

TABLE A8.17

Missouri

Exemptions..........A $2,400 exemption is allowed a couple. Additional exemptions of $400 are allowed for dependents.

Deductions..........Deduction of federal income tax is allowed.

Income Splitting....Not allowed

Surcharge...........None

Credit..............None

Rate Structure..

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$1,000	1.0
1,000	2,000	1.5
2,000	3,000	2.0
3,000	5,000	2.5
5,000	7,000	3.0
7,000	9,000	3.5
9,000	-----	4.0

TABLE A8.18

Montana

Exemptions..........$600 for each taxpayer and spouse, and $600 for each additional dependent

Deductions..........Federal tax deduction is allowed.

Income Splitting....Not allowed

Surcharge...........10 percent of tax liability

Credit..............None

Rate Structure...

Taxable Income Over	Taxable Income Not Over	Percent Rate
$ 0	$ 1,000	2
1,000	2,000	3
2,000	4,000	4
4,000	6,000	5
6,000	8,000	6
8,000	10,000	7
10,000	14,000	8
14,000	20,000	9
20,000	35,000	10
35,000	------	11

TABLE A8.19

Nebraska

Exemptions	None but exemption effect is attained through using specific percentage of federal tax.
Deductions	Federal tax deduction is not allowed.
Income Splitting	Not allowed
Surcharge	None
Credit	None
Rate Structure	The tax is 10 percent of the individual's federal tax liability before the federal surcharge is added. Rates by bracket could be constructed by multiplying 10 percent times federal marginal rates.

TABLE A8.20

New Mexico

Exemptions..........$600 is allowed for taxpayer, spouse, and each child.

Deductions..........Federal tax deduction is not allowed. State income tax may be deducted.

Income Splitting....Allowed

Surcharge...........None

Credit..............None

Rate Structure...

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 1,000	1.0
1,000	2,000	1.5
2,000	3,000	1.5
3,000	4,000	2.0
4,000	6,000	2.5
6,000	8,000	3.0
8,000	10,000	3.5
10,000	12,000	4.0
12,000	14,000	4.5
14,000	16,000	5.0
16,000	20,000	6.0
20,000	24,000	7.0
24,000	40,000	7.5
40,000	100,000	8.0
100,000	200,000	8.5
200,000	-------	9.0

TABLE A8.21

New York

Exemptions.........Each qualifying person is allowed a $600 exemption.

Deductions.........Deduction of federal income tax is not allowed.

Income Splitting....Not allowed

Surcharge..........None

Credit.............$25

Rate Structure.......................................

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 1,000	2
1,000	3,000	3
3,000	5,000	4
5,000	7,000	5
7,000	9,000	6
9,000	11,000	7
11,000	13,000	8
13,000	15,000	9
15,000	17,000	10
17,000	19,000	11
19,000	21,000	12
21,000	23,000	13
23,000	------	14

TABLE A8.22

North Carolina

Exemptions..........	A married man is allowed $2,000 plus $600 for each dependent.
Deductions..........	Deduction of the federal income tax is not allowed.
Income Splitting....	Not allowed
Surcharge..........	None
Credit............	None

Rate Structure..

Taxable Income Over	 Not Over	Percent Rate
$ 0	$ 2,000	3
2,000	4,000	4
4,000	6,000	5
6,000	10,000	6
10,000	------	7

TABLE A8.23

North Dakota

Exemptions.........	A couple is allowed $1,500 plus $600 for each dependent.
Deductions.........	Deduction of the federal income tax is allowed.
Income Splitting....	Not allowed
Surcharge..........	None
Credit.............	None

Rate Structure...

Taxable Income Over	Taxable Income Not Over	Percent Rate
$ 0	$ 3,000	1.0
3,000	4,000	2.0
4,000	5,000	3.0
5,000	6,000	5.0
6,000	8,000	7.5
8,000	15,000	10.0
15,000	------	11.0

TABLE A8.24

Oklahoma

Exemptions..........	Exemptions of $2,000 are allowed couples. An additional $500 is allowed for each dependent.
Deductions..........	Deduction of both state and federal income taxes is allowed.
Income Splitting....	Allowed
Surcharge...........	None
Credit..............	None

Rate Structure...

Taxable Income Over	Taxable Income Not Over	Percent Rate
$ 0	$ 3,000	1
3,000	6,000	2
6,000	9,000	3
9,000	12,000	4
12,000	15,000	5
15,000	------	6

TABLE A8.25

Oregon

Exemptions..........	$600 for taxpayer, spouse, and each child.
Deductions..........	Federal tax deduction is allowed. Surtax portion not allowed as deduction.
Income Splitting....	Allowed
Surcharge..........	None
Credit.............	None

Rate Structure...

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 1,000	4
1,000	2,000	5
2,000	4,000	6
4,000	6,000	7
6,000	8,000	8
8,000	10,000	9
10,000	------	10

TABLE A8.26

South Carolina

Exemptions..........An exemption of $800 is allowed for each qualified person.

Deductions..........Deduction of federal income tax up to $500 is allowed.

Income Splitting....Not allowed.

Surcharge...........None

Credit..............None

Rate Structure..

Taxable Income Over	Taxable Income Not Over	Percent Rate
$ 0	$ 2,000	2
2,000	4,000	3
4,000	6,000	4
6,000	8,000	5
8,000	10,000	6
10,000	------	7

TABLE A8.27

Utah

Exemptions..........$600 for taxpayer, spouse, and each child

Deduction...........Federal tax deduction is allowed.

Income Splitting....Not allowed

Surcharge...........None

Credit..............None

Rate Structure...

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$1,000	2.0
1,000	2,000	3.0
2,000	3,000	4.0
3,000	4,000	5.0
4,000	5,000	6.0
5,000	-----	6.5

TABLE A8.28

Virginia

Exemptions..........$1,000 each are allowed the taxpayer and spouse. An exemption of $300 is allowed for each dependent.

Deduction..........Deduction of the federal tax is not allowed.

Income Splitting....Not allowed

Surcharge..........None

Credit.............None

Rate Structure...

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$3,000	2
3,000	5,000	3
5,000	-----	5

TABLE A8.29

West Virginia

Exemptions.........	An exemption of $600 is allowed for each qualified person.
Deductions.........	Deduction of the federal tax is not allowed.
Income Splitting....	Allowed
Surcharge..........	None
Credit.............	None

Rate Structure......................................

Taxable Income		Percent
Over	Not Over	Rate
$ 0	$ 4,000	1.2
4,000	8,000	1.3
8,000	12,000	1.6
12,000	16,000	1.8
16,000	20,000	2.0
20,000	24,000	2.3
24,000	28,000	2.6
28,000	32,000	2.8
32,000	36,000	3.0
36,000	40,000	3.1
40,000	44,000	3.4
44,000	52,000	3.5
52,000	64,000	3.7
64,000	76,000	3.9
76,000	88,000	4.1
88,000	100,000	4.3
100,000	120,000	4.5
120,000	140,000	4.7
140,000	160,000	4.9
160,000	180,000	5.0
180,000	200,000	5.2
200,000	300,000	5.3
300,000	400,000	5.4
400,000	-------	5.5

TABLE A8.30

Wisconsin

Exemptions..........A tax credit of $10 is allowed for each eligible person.

Deductions..........Federal tax is not deductible. The Wisconsin income tax may be deducted.

Income Splitting....Not allowed

Surcharge...........None

Credit..............None

Rate Structure...

Taxable Income Over	Not Over	Percent Rate
$ 0	$ 1,000	2.70
1,000	2,000	2.95
2,000	3,000	3.20
3,000	4,000	4.20
4.000	5,000	4.70
5,000	6,000	5.20
6,000	7,000	5.70
7,000	8,000	6.70
8,000	9,000	7.20
9,000	10,000	7.70
10,000	11,000	8.20
11,000	12,000	8.70
12,000	13,000	9.20
13,000	14,000	9.70
14,000	------	10.00

CHAPTER 9 THE PROPERTY TAX

CHAPTER 9

THE PROPERTY TAX

Introduction

During the first two decades of the century, state and local governments received more than 80 percent of their tax revenue from property taxes. By 1968 the property tax provided only 41 percent of state and local tax revenue (see Table 9.1).

However, the decline in importance of the property tax in the revenue systems of state and local governments does not mean the tax revenue declined. Property tax collections in 1968 were 39 times larger in 1968 than they were in 1902. Property taxes have not kept pace with the increased demands on state and local governments and, hence, income and sales taxes have been used to pick up the deficiency in the property tax to finance the expanding demands of state and local government.

In 1968 state governments obtained only 2.5 percent of their revenue from the property tax and only two states, Arizona and Wyoming, collected more than 10 percent of their state revenue from the property tax.

The property tax is still the major source of revenue for local governments. However, by 1950 the property tax made up only 43.7 percent of the general revenue of local governments down from 71.7 percent in 1922. The decline in relative importance from 1922 to 1950 in the property tax was associated with the increase in state-to-local aid and the increase in other taxes and charges of local governments. The property tax has remained a rather stable percent of local general revenue since 1950.

A capsule history of twentieth century United States experience with the property tax would be as follows. Prior to World War II, state governments discontinued or reduced their use of the property tax, increased their aid to local governments, and thereby dramatically reduced state and local property taxes as a proportion of total state-local general revenue. Following World War II, however, the position of the property tax stabilized, and it continued to yield more than 85 percent of local tax revenue, about 42 percent of local general revenue, and about 27 percent of combined state-local general revenue (see Table 9.1).

Interstate Comparisons of the Property Tax

To this point, interstate differences in property taxes have been purposely ignored in order to establish the national role of the property

TABLE 9.1

The Property Tax in State and Local Government Finance
Selected Years,
1902-68

	Property Taxes (Millions)			Property Tax as Percent of Total Tax Revenue			Property Tax as Percent of All General Revenue		
Year	Total State-Local	Total State	Total Local	Total State-Local	Total State	Total Local	Total State-Local	Total State	Total Local
1902	706	82	624	82.1	52.6	88.6	67.4	42.7	68.3
1913	1,332	140	1,192	82.8	46.5	91.1	65.6	37.2	67.9
1922	3,321	348	2,973	82.7	36.7	96.9	64.2	25.6	71.7
1932	4,487	328	4,159	72.8	17.4	97.3	56.9	12.9	67.2
1940	4,430	260	4,170	56.7	7.8	92.7	37.7	4.5	54.0
1950	7,349	307	7,042	46.2	3.9	88.2	28.7	2.2	43.7
1960	16,405	607	15,798	45.4	3.4	87.4	27.2	1.8	42.3
1968	27,747	912	26,835	41.1	2.5	86.1	27.4	1.5	42.5

Sources: "Historical Statistics on Governmental Finances and Employment, Census of Governments, 1967, Vol. 6, No. 5, Tables 4, 5, and 6 (U. S. Dept. of Commerce, Bureau of the Census, 1968), pp. 39-47

Governmental Finances in 1967-68, Table 17 (U. S. Dept. of Commerce, Bureau of the Census), p. 31.

tax in state and local finance. For the property tax, however, national averages are seriously misleading because they conceal truly important variations among the states in reliance on the tax. For example, in fiscal 1968 the twenty states which obtained the highest and lowest proportions of total state and local tax revenue from their property taxes were significantly above and below the median state (Table 9.2). Moreover, reliance on property taxes ranged from 16.6 percent of total tax revenue in Alabama to 61.0 percent in New Hampshire.

The varied roles assigned the property tax are associated with other substantial differences in state and local fiscal systems. Table 9.2 provides evidence that the importance of the property tax varies inversely with reliance on state government taxes, state aid to local governments, and the centralization of governmental functions under state government. Note that states which rank high in property taxes as a percent of total state and local revenue generally rank low in state taxes as a percent of total state-local tax revenue, low in state intergovernmental expenditure as a percent of local general revenue, and low in total state direct expenditure as a percent of total state-local expenditure. With only the exception of Wyoming (which collected more than 15 percent of 1968 state tax revenue from property taxation), the ten highest and ten lowest property tax states are among the nine lowest and twelve highest state tax states, respectively. The inverse relationship between state aid to local governments and property taxes, however, is not quite so strong. Nine of the ten highest and ten lowest property tax states are below and above the median state, respectively. Of course, these relationships are not really surprising. Because the property tax is almost solely a local tax, similar local government services in high and low property tax states would require that relatively more state aid be given local governments in low property tax states, which in turn would be financed by state taxes.

Although relatively high state taxes and state aid are typical in low property tax states, Hawaii is a notable exception. As Table 9.2 shows, Hawaii ranks forty-ninth in its use of the property tax as a revenue source, fifth in state taxes as a proportion of total tax revenue, but forty-eighth in state aid to local governments. The relative unimportance of state aid in Hawaii results from an unusual centralization of governmental functions. Hawaii has a state elementary and secondary school system.

Perhaps most interesting, however, is the relationship between property taxes and the performance of governmental functions by state governments. In Table 9.2, all of the lowest property tax states rank above the median state in state direct general expenditures as a proportion of total state-local direct general expenditures, and five of the ten highest property tax states rank below the median. Reliance on property taxes in fiscal 1968 was inversely associated (though not strongly) with reliance on state government provision of governmental services.

Turning now to Montana and other western states, the importance of the property tax for state and local government is once again measured

TABLE 9.2

Major Features of the Fiscal Systems of Selected States, 1968.

States	Total Property Taxes as a Proportion of Total State-Local Tax Revenue		Total State Taxes as a Proportion of Total State-Local Tax Revenue		State Intergovernmental Expenditure as a Proportion of Total Local General Revenue		Total State Direct Expenditure as a Proportion of Total State-Local Expenditure	
	(Percent)	(Rank)	(Percent)	(Rank)	(Percent)	(Rank)	(Percent)	(Rank)
New Hampshire	61.0	1	39.6	49	9.7	50	39.5	13
Nebraska	57.5	2	41.6	47	17.9	46	35.6	39
New Jersey	57.3	3	38.6	50	18.9	44	28.3	49
MONTANA	56.4	4	44.5	46	18.8	45	49.3	17
South Dakota	55.6	5	40.9	48	15.5	49	49.7	16
Connecticut	52.3	6	47.3	44	17.8	47	44.0	24
Kansas	51.6	7	48.1	41	27.2	33	34.7	42
Massachusetts	51.5	8	48.0	42	31.7	25	31.1	48
Wyoming	51.3	9	53.7	31	30.2	27	51.0	12
Ohio	49.1	10	46.7	45	24.7	37	34.6	43
U. S. Median	41.1	26	56.0	26	30.5	26	42.9	26
Mississippi	26.7	41	67.3	12	43.0	7	47.1	21
Kentucky	26.6	42	69.4	11	33.7	20	56.2	7
Arkansas	26.3	43	72.1	7	41.2	9	51.3	10
West Virginia	25.5	44	71.2	8	39.7	10	57.2	4
South Carolina	22.3	45	76.2	2	47.3	3	49.2	18
New Mexico	21.8	46	75.7	3	49.1	2	51.1	11
Delaware	21.0	47	77.9	1	45.0	5	53.0	9
Louisiana	19.8	48	70.7	9	47.1	4	50.5	15
Hawaii	19.6	49	74.1	5	17.7	48	75.9	1
Alabama	16.6	50	72.7	6	42.8	8	49.1	19

Source: Governmental Finances in 1967-68 (U. S. Dept. of Commerce, Bureau of the Census, 1969), pp. 31-33 and 50-51.

Note: Direct general expenditure is that for all purposes other than specifically defined utility, liquor store, and insurance trust operations. Direct general expenditure excludes intergovernmental expenditures.

by the percentage of total state and local tax revenues obtained from the property tax in each state.[1] Table 9.3 presents total state-local, state, and local property tax revenues as percentages of total state-local, state, and local tax, and all general revenues for Montana and selected western states in fiscal 1968. Montana received 56.4 percent of its total tax revenue from state and local property taxes, the highest percentage among western states. Interestingly, eight of the ten western states rely heavily on the property tax, obtaining 41.1 percent (the national average) or more of their total state-local tax revenue from this source, but only four western states in ten receive more than the United States average, 27.4 percent, of their total general revenue from the property tax. This difference occurs because western states receive relatively more revenue from the federal government than the average state.

Although the state governments of Montana, Nevada, Utah, Washington, and Wyoming secure substantial fractions of their total tax revenues from state-wide property taxes (see Table 9.3), the property tax in the western states, as elsewhere in the United States, is primarily a local government revenue source. Local governments in eight of the ten states derive more than 90 percent of their tax revenue from the property tax. Montana local governments rank fourth among western states with the property tax supplying 95.8 percent of total local tax revenue. However, when states are compared in terms of property taxes as a proportion of total local general revenue, Montana and South Dakota no longer conform to what may be termed the "western states pattern." Local property tax revenue as a percent of total local general revenue equaled 61.5 percent for Montana and 65.6 percent for South Dakota, considerably above the United States average of 42.5 percent, as well as above the percentages reported in Table 9.3 for the eight other western states. Although such major differences seem odd in view of previously noted similarities among western states, in fact the extraordinary importance of the property tax to local governments in Montana and South Dakota is associated with the rather limited state aid for local government in these states. Table 9.4 indicates that state aid in Montana equaled only 18.8 percent of total local general revenue in fiscal 1968, forty-fifth among the states, just 58.4 percent of the United States average. South Dakota state aid to local governments ranked forty-ninth among the states at 15.5 percent. Of course, Table 9.4 also demonstrates that Montana and South Dakota rank forty-sixth and forty-eighth, respectively, in terms of the proportion of total state-local tax revenue collected through state taxes, but seventeenth and sixteenth, respectively, in terms of state direct expenditures as a proportion of total state-local direct expenditures.

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[1] The western states compared here with Montana were selected mainly because of geographic proximity and economic interdependence. The ten contiguous states are also characterized by low population densities, long distances between urban centers, and large proportions of federally owned land.

TABLE 9.3

The Property Tax in State and Local Government Finance, Montana, Selected Western States, and the United States, 1968

State	Property Taxes			Total State-Local Property Taxes as Percent of		Total State Property Taxes as Percent of		Total Local Property Taxes as Percent of	
	Total State-Local	Total State (Millions)	Total Local	Total Tax Revenue	all General Revenue	Total Tax Revenue	all General Revenue	Total Tax Revenue	all General Revenue
Colorado	326.7	1.1	325.5	45.3	28.6	0.3	0.2	90.3	46.8
Idaho	83.9	0.6	83.3	37.7	23.8	0.7	0.4	96.5	47.7
MONTANA	132.8	7.6	125.1	56.4	34.0	7.2	3.3	95.8	61.5
Nevada	81.4	5.7	75.7	41.9	25.7	5.8	3.4	83.5	39.4
North Dakota	94.8	1.4	93.4	48.0	25.2	1.4	0.6	97.3	54.4
Oregon	305.4	0.7	304.7	47.7	28.0	0.2	0.1	96.4	47.7
South Dakota	119.4	----	119.4	55.6	33.3	----	---	94.2	65.6
Utah	127.8	12.5	115.3	41.1	23.2	6.8	3.3	90.3	42.1
Washington	397.7	83.4	314.4	31.9	20.4	9.5	6.2	85.4	31.2
Wyoming	65.5	10.5	55.0	51.3	26.2	15.3	6.2	93.2	46.5
United States	27,747.3	912.0	26,835.3	41.1	27.4	2.5	1.5	86.1	42.5

Source: *Governmental Finances in 1967-68*, Table 17 (U. S. Dept. of Commerce, Bureau of the Census, pp. 31-33.

TABLE 9.4

Major Features of the Fiscal Systems of Montana, Selected Western States and the United States, 1968

State	Total Property Taxes as Percent of Total State-Local Tax Revenue		Total State Taxes as Percent of Total State-Local Tax Revenue		State Intergovernmental Expenditure as Percent of Total Local General Revenue		Total State Direct Expenditure as Percent of Total State-Local Expenditure[1]	
	(Percent)	(Rank)	(Percent)	(Rank)	(Percent)	(Rank)	(Percent)	(Rank)
Colorado	45.3	20	50.0	38	30.1	28	39.5	34
Idaho	37.7	32	61.4	17	28.2	29	46.8	22
MONTANA	56.4	4	44.5	46	18.8	45	49.3	17
Nevada	41.9	23	53.2	32	25.5	36	39.5	34
North Dakota	48.0	12	51.3	35	24.6	38	53.9	8
Oregon	47.7	14	50.7	37	26.7	34	43.6	25
South Dakota	55.6	5	40.9	48	15.5	49	49.7	16
Utah	41.1	26	58.9	21	37.0	15	50.7	14
Washington	31.9	33	70.4	10	38.8	13	46.4	23
Wyoming	51.3	9	53.7	31	30.2	27	51.0	12
United States Average	41.1	--	53.8	--	32.2	--	37.5	--
United States Median	41.1	26	56.0	26	30.5	26	42.9	26

Source: Governmental Finances in 1967-68 (U.S. Dept. of Commerce, Bureau of the Census, 1969), pp. 31-33, and 50-51.

[1] Direct general expenditure is that for all purposes other than specifically defined utility, liquor store, and insurance trust operations. Direct general expenditure excludes intergovernmental expenditures.

Property Taxation in Montana and Selected Western States

Total state-local property tax revenue per capita and per $1,000 of personal income are widely used measures of property tax burdens for interstate comparisons. Here, however, interstate property tax comparisons are made with and without adjustment for differences in state capacities to produce income and to export property taxes to residents of other states.

Relative to both population and personal income received, Montana property tax collections exceed those of the average state considerably. Table 9.5 indicates that per capita property tax revenue in fiscal 1968 was $191.61 in Montana, sixth highest among the fifty states and 38 percent above the United States average of $138.83. Montana also ranked second in the nation, 54 percent above the average, with $68.48 of property tax revenue per $1,000 of personal income. Among Montana's neighbors, only Wyoming and South Dakota rely comparably on the property tax. As previously noted, Montana, South Dakota, and Wyoming receive more than 50 percent of their total state-local tax revenue from the property tax.

Most often, interstate comparisons of taxes do not venture beyond the per capita and per $1,000 of personal income measures just discussed. Although these measures are useful and informative, they are in some respects misleading, particularly when used for interstate comparisons of tax payments of individuals or families. For example, the inclusion of all commercial and industrial property tax payments in calculating property taxes per capita and per $1,000 of personal income assumes that such taxes are entirely paid by residents of the state, and thus ignores the important fiscal phenomenon of tax exporting. Firms sell to both residents and nonresidents in local, state, regional, and national markets under varying competitive conditions, and the interstate incidence of various taxes is borne by consumer and/or producer groups who may or may not be residents of the taxing state. Moreover, for those fractions of taxes actually borne by firms and statutory taxpayers, allowance must be made for the deductibility of most state and local taxes in computing their income tax liabilities. The fraction of a tax borne by nonresidents of the taxing state, including the fraction offset against federal income taxes, is said to be exported.

Estimation of tax exporting is a complex task that requires analysis and assumptions about the impact of taxes on prices and incomes, as well as information concerning the domicile and circumstances of groups affected by tax-induced price and income changes. Fortunately, conceptual problems and methods involved in estimating the extent of tax exporting for each state have been resolved reasonably satisfactorily in recent research.[2] The first column of Table 9.6 shows the percent of

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[2] Although 1962 is the most recent year for which tax exporting estimates by states are available, other data suggest that conclusions obtained with 1962 data also hold for later years.

TABLE 9.5

Property Taxes Per Capita and Per $1,000 of Personal Income, Montana, Selected Western States, and the United States, 1968

State	Per Capita	Rank	Per $1,000 of Personal Income	Rank
Colorado	$159.49	16	$52.76	14
Idaho	119.01	31	46.61	23
MONTANA	191.61	6	68.48	2
Nevada	179.62	10	51.14	15
North Dakota	151.68	18	59.66	6
Oregon	152.10	17	49.89	18
South Dakota	181.78	9	68.44	3
Utah	123.59	29	47.91	21
Washington	121.40	30	36.58	32
Wyoming	207.87	2	69.21	1
United States Average	133.83	--	44.39	--
United States Median	137.00	26	44.65	26

Source: Governmental Finances in 1967-68, Tables 22 and 24 (U. S. Dept. of Commerce, Bureau of the Census), pp. 45 and 50.

TABLE 9.6

Total and Resident Property Taxes Per Capita and Per $1,000 of Personal Income, for Montana, Selected Western States, and the United States, 1962

State	Percent of Property Taxes Exported[1]	Per Capita		Per $1,000 of Personal Income	
		Total[2]	Resident	Total	Resident
Colorado	15.7	$119.88	$101.06	$ 50.21	$ 42.33
Idaho	21.1	94.61	74.65	48.88	38.57
MONTANA	23.2	132.06	101.42	58.81	45.17
Nevada	22.9	88.99	68.61	28.27	21.80
North Dakota	20.0	112.63	90.10	48.86	39.09
Oregon	16.4	109.68	91.36	45.47	37.88
South Dakota	14.5	123.22	105.35	59.67	51.02
Utah	20.4	94.50	75.22	44.93	35.76
Washington	16.2	77.87	65.26	31.37	26.29
Wyoming	25.0	131.81	98.86	55.39	41.54
United States Average	17.1	102.54	85.01	43.33	35.92
	Indexes of Percent				
Colorado	67.7	90.8	99.7	85.4	93.7
Idaho	90.9	71.6	73.6	83.1	85.4
MONTANA	100.0	100.0	100.0	100.0	100.0
Nevada	98.7	67.4	67.7	43.1	48.3
North Dakota	86.2	85.3	88.8	83.1	86.5
Oregon	70.7	83.1	90.1	77.3	83.9
South Dakota	62.5	93.3	103.9	101.5	112.9
Utah	87.9	71.6	74.2	76.4	79.2
Washington	69.8	59.0	64.4	53.3	58.2
Wyoming	107.8	99.8	97.5	94.2	92.0
United States Average	73.7	74.3	80.2	73.7	79.5

1. Charles E. McLure, Jr., "Tax Exporting in the United States: Estimates for 1962" National Tax Journal, Vol. 20, No. 1, Table 7 (March 1967), p. 65.

2. Property Taxation in 1962, Tables 1, 3, and 5 (U. S. Dept. of Commerce, Bureau of the Census, November 1964).

property taxes exported by Montana, selected western states, and the United States average. Among western states, Montana ranks second only to Wyoming in tax exporting ability. Among the fifty states, however, Montana ranks fifth after Arizona, Wyoming, Texas, and South Carolina, each of which also rely unusually heavily upon property taxes on railroads, mining, and/or petroleum. (Evidence of such interstate property tax base and revenue differences is presented later in this report.) The index presented in the lower half of the first column of Table 9.6 dramatically demonstrates Montana's relative property tax exporting ability. Note especially that the average state has property tax exporting ability equal to just 73.7 percent of that of Montana.

Table 9.6 also reports 1962 property taxes per capita and per $1,000 of personal income, adjusted and unadjusted for tax exporting. Of course, both measures of state-local property tax effort decrease when allowance is made for tax exporting. Estimated property tax payments of Montana residents decrease from $132.06 per capita to $101.42, and South Dakota replaces Montana as the highest, resident-paid, per capita property tax state in the West. South Dakota residents also paid higher property taxes per $1,000 of personal income than Montana residents, with and without an adjustment for tax exporting. The lower half of Table 9.6 shows the various measures of tax effort relative to Montana tax effort. Allowance for tax exporting does not radically alter the ranking of states. Only the positions of Montana, South Dakota, and Wyoming are reordered.

The data in Table 9.6 show that tax exporting reduces the differences in property tax burden per capita and per $1,000 personal income between Montana and the rest of the western states. However, Montana resident taxpayers pay property taxes higher in absolute terms than residents in all other western states except South Dakota. Montana is still a high property tax state even after subtracting out Montana property taxes paid by residents of other states.

Interstate comparisons of total and resident property taxes per capita and per $1,000 of personal income usefully measure differences in property tax effort among states as places of residence. These measures focus on individuals as residents of tax collecting states. They do not reflect differences among states in capacity to produce income claimed by residents and nonresidents alike. The importance of differences between personal income and income produced may be illustrated by considering an example of a firm located in Montana but owned by New York investors. Suppose that the annual product of the firm (excluding materials purchased from other firms) has a value of $1 million, $700,000 of which is paid in wages and salaries to employees working and residing in Montana, and the remaining $300,000 is divided equally between dividends received by New York investors and earnings retained for firm use. An allocation on a personal income-received basis places $700,000 wages and salaries in Montana, $150,000 as dividends in New York, and the undistributed earnings are not counted because no person receives them. Income produced in Montana, however, equals $1 million. Of course, the relative size of resident and nonresident income claims, as well as undistrubuted income, varies greatly among firms and, therefore, among states. This is clearly shown in the first column of Table 9.7, which reports 1959 personal income received as a percent of national income produced in Montana, selected western states, and the United States. (Although 1959, unfortunately, is the most recent year for which the required data are readily available, indirect evidence for later years suggests only insignificant revisions of the percentages reported in Table 9.7. For example, Washington's percentage would more closely approximate the United States average, but Montana and Oregon would remain substantially below and above the United States average percentage, respectively.)

Given differences in the relation between personal income and income produced, interstate comparisons of total and resident property taxes per $1,000 of income produced are at least as relevant to tax effort as comparisons in terms of personal income. Table 9.7 presents total property taxes per $1,000 of personal income and per $1,000 of income produced, as well as resident property taxes per $1,000 of income produced. Since income produced exceeds personal income, total and resident property taxes are absolutely lower when compared in terms of income produced.

Table 9.7 shows that differences in property tax burdens among the states are narrower using income produced rather than income received. However, property taxes per $1,000 of income produced in Montana ranks first among the ten western states and 22.5 percent above the national average. Also, using the income produced concept and subtracting out the taxes paid by nonresidents in each of the states, Montana still ranks second among the ten western states, second only to South Dakota.

In general Montana property taxes are high both absolutely and relatively to the ten western states and the United States average even after refining the burden measures for tax exporting and income producing ability. The conventional measures of property tax burden in Montana relative to other states, in spite of their shortcomings, give the correct impression as far as they go. Even after making adjustments, Montana property taxes are high relative to other states and the United States average but the differences are smaller.

However, valid comparisons require analysis of one other aspect of the question of property tax burdens. An analysis of the effective property tax rates is necessary to get the total picture regarding property tax burdens among the states.

Effective Property Tax Rates

Interstate comparisons of property taxes per capita and per $1,000 of personal income focus attention on people instead of property. These measures of tax effort relate property taxes to individuals as residents of tax-collecting states and as income receivers. They do not relate property tax revenues to the base against which the tax is levied. Although property taxes are paid by individuals and firms, and claim varying portions of their respective incomes, the property tax in fact is levied against the value of property regardless of the circumstances of

TABLE 9.7

Total and Resident Property Taxes per $1,000 of Personal Income Produced, for Montana, Selected Western States, and the United States, 1962

State	Personal Income as a Percent of of Income Produced[1]	Total Property Tax		Resident Property Taxes per $1,000 of Income Produced[3]
		Per $1,000 of Personal Income[2]	Per $1,000 Income Produced	
Colorado	79.9	$ 50.21	$ 40.10	$ 33.81
Idaho	78.8	48.88	38.53	30.40
MONTANA	75.5	58.81	44.38	34.09
Nevada	70.1	28.27	19.82	15.29
North Dakota	71.9	48.86	35.12	28.10
Oregon	86.1	45.47	39.15	32.62
South Dakota	67.9	59.67	40.50	34.63
Utah	70.6	44.93	31.73	25.25
Washington	81.3	31.37	25.50	21.37
Wyoming	76.6	55.39	42.42	31.81
United States Average	79.4	43.33	34.41	28.53
		Indexes of Percent		
Colorado	105.8	85.4	90.4	99.2
Idaho	104.4	83.1	86.8	89.2
MONTANA	100.0	100.0	100.0	100.0
Nevada	92.8	48.1	44.7	44.9
North Dakota	95.2	83.1	79.1	82.4
Oregon	114.0	77.3	88.2	95.7
South Dakota	89.9	101.5	91.3	101.6
Utah	93.5	76.4	71.5	74.1
Washington	107.7	53.3	57.5	62.7
Wyoming	101.5	94.2	95.6	93.5
United States Average	105.2	73.7	77.5	83.7

1. Measures of State and Local Fiscal Capacity and Tax Effort, Advisory Commission on Intergovernmental Relations (Oct. 1962), Table 8, pp. 27-28.

2. Property Taxation in 1962, Table 1, (U. S. Dept. of Commerce, Bureau of the Census, Nov. 1964).

3. Column 5 of Table 6 multiplied by column 1.

ownership. Interstate property tax comparisons are also appropriately made in terms of effective property tax rates. Effective rates are estimated state-local property tax revenues from particular classes of property divided by the estimated market value of the same classes of property.

Table 9.8 reports estimated effective property tax rates for certain types of property in each of the fifty states plus the District of Columbia during six recent years. Although these estimates are state averages and consequently conceal important intrastate variation, they are informative and useful for interstate comparisons. A striking feature of Table 9.8 is the relatively low effective property tax rate in Montana in all years. The effective rate in Montana is at least 0.3 percentage points or 30 percent below the national average in all years. In 1961, 1962, and 1966, the United States average rate exceeded Montana's by 0.6 percentage points. Moreover, among the western states, no less than four states in each year had effective property tax rates higher than Montana.

It is interesting to note that the effective rate of property taxation of locally assessed real property in 1966 was 4.0 percent in New York, 3.6 percent in Massachusetts, and 3.4 percent in New Jersey. In New York the effective property tax rate increased by more from 1962 to 1966 than the total effective rate levied in Montana in 1966.

At first glance it is difficult to understand why Montana is a high property tax state in every respect except in terms of effective property tax rates. There are several aspects to the question. First, agricultural real and personal property constitute an important part of Montana's property tax base (see Table 9.9). Only five states exceeded Montana in the proportion of total taxable value made up by farm real and personal property. In 1966 farm real and personal property made up 58.5 percent of the taxable base in South Dakota, 53.1 percent of the taxable base in North Dakota, and 43.6 percent of the taxable base in Nebraska. Farm real and personal property made up 41.4 percent of the taxable base in Iowa, 28.9 percent of the taxable base in Idaho, and 24.5 percent of the taxable base in Montana in 1966.[3] However, Montana agriculture is property intensive with each economic unit requiring large land and machinery investments and low labor requirements. The taxable value of real and personal property in Montana agriculture is high relative to the number of people associated directly with agriculture. Thus, agriculture contributes to high property taxes per capita even with low effective property tax rates. Furthermore, with low rates of return on Montana agricultural land, the taxable value of property in agriculture is high relative to personal income generated. Thus, agriculture contributes to

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[3] Table 9.9 shows the percent distribution of taxable value of all real and personal property for thirty states in the United States. The remaining state data was incomplete so that especially personal property taxable values could not be identified in detail.

TABLE 9.8

Estimated Effective Property Tax Rates, by State, 1957, 1960, 1961, 1962 and 1966[1]

State	Single-Family Dwellings	Locally Assessed Realty	All Taxable Property	Locally Assessed Realty		
	1957[2]	1957[3]	1960[2]	1961[4]	1962[3]	1966[4]
Alabama	0.6	0.5	0.5	0.5	0.6	0.5
Alaska	---	---	1.1	---	---	1.7
Arizona	1.1	1.0	1.0	0.9	1.0	2.0
Arkansas	0.6	0.5	0.6	0.6	0.6	0.6
California	1.3	1.2	1.4	1.3	1.3	2.3
Colorado	1.4	1.2	1.4	1.2	1.3	2.3
Connecticut	1.5	1.6	1.6	1.8	1.9	2.1
Delaware	0.8	0.7	0.7	0.9	1.0	1.4
District of Columbia	1.0	1.2	1.3	1.2	1.3	2.0
Florida	0.8	0.9	1.1	1.0	1.1	1.3
Georgia	0.7	0.8	0.9	0.7	0.8	1.0
Hawaii	---	---	0.7	0.6	0.6	1.5
Idaho	0.9	0.8	1.0	1.0	1.0	1.4
Illinois	1.3	1.4	1.5	1.5	1.7	2.1
Indiana	1.0	0.9	1.2	1.1	1.2	1.8
Iowa	1.1	1.1	1.2	1.6	1.5	1.7
Kansas	1.0	1.2	1.4	1.5	1.2	1.2
Kentucky	0.8	0.9	0.8	0.8	0.7	0.9
Louisiana	0.5	0.6	0.8	0.6	0.5	0.5
Maine	1.9	2.0	2.4	2.3	2.1	2.5
Maryland	1.5	1.3	1.5	1.3	1.4	1.9
Massachusetts	2.3	2.8	2.4	2.7	2.7	3.6
Michigan	1.3	1.3	1.8	1.8	1.7	2.5
Minnesota	1.5	1.9	1.9	1.8	1.9	3.1
Mississippi	0.5	0.6	0.7	0.5	0.5	0.6
Missouri	0.5	1.0	1.1	1.1	1.1	1.4
MONTANA	1.0	0.9	1.1	0.8	0.8	1.4
Nebraska	1.4	1.3	1.4	1.4	1.4	1.9
Nevada	0.8	0.8	0.9	1.1	0.8	1.4
New Hampshire	1.9	2.0	1.9	2.1	2.3	2.8
New Jersey	1.9	2.3	2.3	2.3	2.6	3.4
New Mexico	0.6	0.5	0.6	0.5	0.5	0.7
New York	1.8	2.7	2.1	2.1	2.5	4.0
North Carolina	0.7	0.6	0.8	0.6	0.7	1.0
North Dakota	1.2	1.3	1.3	1.4	1.4	1.4
Ohio	1.0	1.0	1.4	1.2	1.0	1.7
Oklahoma	0.7	0.7	0.9	0.8	0.8	0.8
Oregon	1.4	1.3	1.6	1.3	1.4	1.9
Pennsylvania	1.4	1.6	1.3	1.5	1.7	2.3
Rhode Island	1.7	1.9	1.9	2.1	2.2	2.4
South Carolina	0.4	0.6	0.8	0.7	0.5	0.7
South Dakota	1.3	1.5	1.4	1.6	1.7	1.6
Tennessee	1.1	1.1	1.0	1.1	1.2	1.3
Texas	1.0	0.8	1.0	0.8	1.0	1.8
Utah	0.8	0.7	1.1	0.9	1.0	1.5
Vermont	1.9	2.0	2.1	2.0	2.2	2.5
Virginia	0.8	0.7	0.9	0.8	0.9	1.3
Washington	0.8	0.8	0.9	0.8	0.8	1.1
West Virginia	0.4	0.5	0.9	0.6	0.6	1.0
Wisconsin	1.8	1.9	1.9	2.1	2.1	2.6
Wyoming	0.8	0.6	1.0	0.7	0.8	1.1
United States Average	1.3	1.3	1.4	1.4	1.4	2.0

1. Effective tax rates equal estimated general property tax revenue (from classes of property indicated) in the year designated divided by estimated market value of the classes of property indicated in the preceeding year.

2. Advisory Commission on Intergovernmental Relations, Measures of State and Local Fiscal Capacity and Tax Effort, Tables 37 and 41 (1962).

3. "Property Taxation in 1962," State and Local Government Special Studies, Number 47 (U.S. Dept. of Commerce, Bureau of the Census).

4. Taxable Property Values, 1962 and 1967, and source 3 above (U. S. Dept. of Commerce, Bureau of the Census).

TABLE 9.9

Percent Distribution of Total Taxable Value of All Property
Subject to Local General Property Taxation for Thirty States[1]
Calendar Year 1966

State	Residential Nonfarm Real Property	Commercial and Industrial		Acreage and Farms	Agricultural Personal Property	Household Personal Property	Vacant Lots	Motor Vehicles	Intangible Personal Property	Other Real and Personal Property	Total
		State Assessed Real and Personal	Locally Assessed Real and Personal								
Alabama	32.3	17.0	13.4	9.8	----	---	1.0	10.3	---	16.1	100.0
Arizona	41.8	23.9	16.3	4.3	1.7	3.0	2.1	----	---	6.9	100.0
Colorado	44.5	11.2	29.7	9.4	2.7	---	1.2	----	---	1.4	100.0
Connecticut	57.0	----	31.4	1.9	0.1	---	1.4	----	---	8.2	100.0
Delaware	65.7	----	24.3	7.8	----	---	2.0	----	---	0.4	100.0
Georgia	38.6	8.8	13.6	10.0	----	---	1.4	8.9	1.7	17.1	100.0
Idaho	16.8	26.5	23.0	20.0	8.9	---	0.8	Z	---	3.8	100.0
Iowa	29.3	11.1	16.2	35.3	6.1	0.9	0.6	----	---	0.5	100.0
Kentucky	39.4	16.0	17.2	19.8	----	---	0.9	5.9	---	0.8	100.0
Louisiana	31.2	20.1	35.4	4.3	Z	Z	1.4	----	3.6	4.0	100.0
Maine	51.6	----	40.2	2.0	0.4	---	1.3	----	---	4.5	100.0
Minnesota	35.1	8.3	30.3	21.2	3.2	0.3	1.0	----	---	0.5	100.0
Mississippi	24.1	21.8	20.1	19.1	----	Z	1.2	12.6	0.8	0.3	100.0
Missouri	38.9	10.8	20.7	11.6	1.9	1.9	1.1	8.1	---	4.9	100.0
MONTANA	20.6	21.6	21.8	16.9	7.6	1.8	0.6	6.3	1.9	0.8	100.0
Nebraska	27.7	2.1	14.5	36.2	7.4	1.9	0.7	6.2	---	3.2	100.0
New Jersey	66.9	0.4	27.7	2.5	Z	Z	2.4	----	---	0.1	100.0
New Mexico	30.4	39.7	8.9	8.5	1.6	---	3.0	----	7.0	0.9	100.0
North Carolina	35.5	3.4	33.8	12.7	0.8	2.4	1.8	7.8	---	1.8	100.0
North Dakota	17.2	11.7	12.2	42.9	10.2	2.9	0.9	----	---	2.0	100.0
Oregon	39.9	11.7	28.1	16.6	2.0	---	1.3	----	---	0.3	100.0
Pennsylvania	65.7	----	27.6	4.4	----	---	1.5	----	---	0.8	100.0
South Carolina	17.1	44.7	15.8	6.6	0.9	---	0.7	13.3	---	0.9	100.0
South Dakota	19.0	5.8	11.6	43.0	15.5	3.2	0.8	----	---	1.2	100.0
Utah	32.9	31.1	18.0	5.0	1.2	---	1.2	7.0	---	3.5	100.0
Virginia	48.4	10.5	19.4	6.4	----	---	2.0	----	---	13.3	100.0
Washington	42.8	7.0	31.4	12.5	1.7	---	2.7	----	---	1.9	100.0
West Virginia	29.1	18.0	12.0	7.4	0.9	2.2	1.0	5.8	8.7	14.9	100.0
Wisconsin	51.3	----	34.6	9.0	2.9	---	1.4	----	---	0.8	100.0
Wyoming	18.3	49.7	15.3	8.6	4.9	1.8	0.4	----	0.4	0.3	100.0

Source: "Taxable Property Values," Census of Governments, 1967, Vol. 2, Table 23 (U.S. Dept. of Commerce, Bureau of the Census), p. 158.

1. Details may not add to totals due to rounding.

Note: Z stands for less than 0.05 percent.

high property taxes per $1,000 of personal income in spite of the low effective property tax rates.

The second aspect of the question concerns state assessed property made up of primarily railroad and public utility property. Montana railroad and public utility property constitutes greater than average importance in the total taxable base of the state. Montana railroads and public utilities, like agriculture, are also land and fixtures intensive. They employ few people relative to the land, equipment, and fixtures needed for operation. Hence, the taxable value of real and personal property of railroads and public utilities is high relative to the number of people directly associated with those enterprises. Also, the taxable value of property owned by these industries is high relative to personal income generated because these industries are not entirely owned by Montana residents and publicly regulated industries, such as railroads and public utilities generally have low rates of return on invested capital.

There is one additonal aspect to the question of low effective property tax rates in Montana. We have discussed what appeared to be a contradiction in the data, namely, that property taxes per capita and per $1,000 of personal income in Montana are relatively high but effective property tax rates are relatively low. We showed that Montana's property tax base is heavily weighted with agricultural, railroad, and public utility property. We explained that this property generates relatively little personal income because it has relatively few persons associated with its role in the economy of the state. Thus, low effective tax rates produce a lot of property tax revenue in relation to personal income and the number of people. But this does not itself constitute an explanation of the low effective property tax rates. The data showing effective property tax rates are state averages and do not reflect differences within the state itself.

An effective property tax rate is simply property tax revenue divided by the market value of the property. But the property tax revenue is determined by multiplying "taxable value" of the property times the mill levy in the jurisdiction in which the property lays. Table 9.9 shows that state assessed real and personal property plus farm real and personal property constituted 46.1 percent of the total taxable value of the state. By its very nature, this type of property dominates the tax bases of sparsely populated areas. In jurisdictions with a lot of this type of property, the mill levies are generally lower because of the high valuation per person. Local budgets in sparsely populated jurisdictions generally require fewer mills to support a given level of government services than in densely populated areas. Because of lower budget requirements and resultant mill levies, the effective rates of taxation in sparsely populated areas on farm property, railroads, and public utility property are low. In turn, because these types of property are so important in the total tax base of the state, the overall average effective tax rate is pulled down.

On the other hand, in the densely populated areas, especially in the larger urban centers in the state, there is relatively little farm, railroad, and public utility property especially on a per capita basis. The amount of taxable property within urban centers is more or less directly associated with the number of people living and working there. Economic activities carried on in urban areas are for the most part labor intensive and, consequently, the taxable value of real and personal property in urban areas is generally low relative to the number of people. Thus, to support a given level of government services with the same tax system as the sparsely populated areas, relatively high effective property tax rates are required. Also, the taxable value of property relative to personal income generated is relatively low in urban areas because of the high personal income generation characteristics of labor intensive economic activity.

In summary, the Montana property tax per capita and per $1,000 of personal income is high among the rest of the states. This can be explained mainly by the fact that Montana's property tax base is dominated by agricultural, railroad, and public utility property which generates relatively little personal income and has relatively few people associated directly with its role in the state's economy. This property produces high revenues per capita and per $1,000 of personal income in spite of the low effective property tax rates. In spite of the indications of relatively heavy pressure on Montana's property tax by per capita and per $1,000 of personal income measures, the data for 1966 show that the effective property tax rate was low in relation to the national average and some of the western states. This may be explained by the fact that effective property tax rates in sparsely populated areas are low and effective property tax rates in urban areas are high, and the Montana property tax base is still dominated by farm, railroad, and public utility property.[4] Because of the dominance of farm, railroad, and public utility property and the low effective property tax rates thereon, the high effective rates in urban areas are offset, leaving the state average effective property tax rate low among the rest of the states.

Although data do not permit identification of the difference between rural and urban effective property tax rates in Montana, it is clear that the average effective rates are higher in urban than in rural areas. This conclusion is obvious from the fact that the assessment process values farmland for tax purposes at about 6 percent of market value and it values most residential, commercial, and industrial property at about 12 percent of market value.[5] Additionally, mill levies are higher in the urban areas than in rural areas.

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[4] Evidence to support low effective property tax rates in sparsely populated areas and high effective rates in urban areas is offered in a subsequent section of this chapter.

[5] Although this information is difficult to document, it is my understanding that this is the intention of the assessment process. It should be noted that private forest land is classified as commercial property and it is unclear how the taxable value relates to its market value.

Another reason for the low effective property tax rate may be Montana's all-inclusive concept of taxable property. It is far more inclusive than many other states'. Many states exclude the intangibles and real personal property. Given an expenditure need, a wider property tax base results in a lower effective rate. In the same vein, the interstate differences in effective rate cannot be regarded as property tax burden differentials. The definition and scope of taxable property differs too much from one state to another to serve as a uniform base upon which to measure the property tax burden. After all, what matters most in the determination of property tax burden is not the total value of properties included in the base, but the ability-to-pay of the taxpaying unit.

If the property tax is viewed strictly as a wealth tax, it is logically consistent to measure the tax burden by the effective rate. However, if one views the property tax as partly a wealth tax and partly an income tax, then the ability-to-pay of taxpaying units must enter into the concept in measuring the tax burden.

The main point is that, the "burden" of a tax must be related to ability-to-pay of taxpaying units. In many instances, wealth ownership and ability-to-pay go hand-in-hand. But in other instances, it is not so; especially in a predominantly agricultural economy in which resources are not mobile.

In view of the immense apparent intrastate differences in effective property tax rates, a low-state average effective rate in Montana in relation to the rest of the states cannot be construed to mean that property taxes on all segments of Montana's economy are low. On the contrary, average effective property tax rates in urban areas are likely to be high in relation to other states and average effective tax rates in rural areas are likely to be low in relation to other states.[6] As previously stated, high property taxes per capita and per $1,000 of personal income in Montana relative to other states arises not because the effective property tax rates are high in rural areas but rather because of the predominance of rural property in the tax base which has few people associated with it and which generates relatively little personal income.

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[6] A recent study by the Montana Taxpayers' Association shows that Helena, Montana, ranks eleventh among forty-nine state capitols in the level of effective property tax rates for a $25,000 house, and Montana ranks first among the western states. See "Residential Property Taxes in State Capitol Cities," Montana Taxpayers' Association, Fiscal Facts No. 4.

Also, the U.S. Department of Agriculture reports that the average effective property tax rate on farm real property ranks twenty-eighth among the fifty states. See Agricultural Finance Review, Vol. 30, Supplement, January 1970, Tables 33, 34, 35, 36, and 37 (U.S. Department of Agriculture, Economic Research Service), pp. 51-60.

The Montana Property Tax

The Montana property tax is a long standing traditional institution closely linked with state and local legal and financial systems. It is the only locally-imposed tax of any significance in Montana. Property tax revenue has been a stable source of revenue, an aspect of much importance to local units of government. In spite of all the deficiencies in the property tax, it produces substantial revenue and it is generally acceptable to people as a necessary evil.

The interest of the state government in the property tax extends much beyond its revenue implications for state purposes. On the one hand, the structure of the property tax is prescribed by the constitution and statutes, and the state exercises some control over its administration. On the other hand, state grants-in-aid for education emerged after World War II, and this compels the state to assume more certain responsibility for the effective and equitable use of the property tax. In Montana, state aid to local schools is obviously one reason for state interest in equalized local assessments because equitable distribution of aid depends upon equitable assessments.

The most significant elements of the property tax center on practical considerations. The property tax produces the bulk of local revenue in Montana. That it will continue to be used as a local revenue source is a simple fact of life. The main questions center on how much more extensively it will be used and where it will be used more or less extensively.

The chief deficiencies of the property tax arise in its practical application mainly through the assessment process. In practice, valuation of property for tax purposes is a complex task. The discovery of property, especially intangible personal property and some forms of real personal property, is particularly difficult. Theoretically, Montana's property tax is a tax on all property, movable and immovable, visible and invisible, and real and personal. The rate of taxation, however, is not at all uniform on all types of property because of the development of a complex system of "equalized assessed values" and "taxable values" rationalized on the basis of the constitution in the first instance and on the basis of statute in the latter case.

The Montana property tax is used for a myriad of purposes at the state and local level. It has been used for no less than ten specific purposes at the state level with specified mill levies for each purpose. At the county level there are about thirty different levies which have been imposed at one time or another during the past twenty-five years. Cities and towns make more limited use of the property tax than the counties. During the past twenty-five years, cities and towns have used nearly fifteen different levies. School districts also use the property tax. School districts impose at least ten different levies.

Studying the property tax in Montana is an arduous task because of its complexity and because there is a lack of good data useful for addressing the important questions surrounding the property tax. Identifying the laws relevant to the property tax itself is tedious. In spite of the difficulty, we have found it useful and instructive to extract the Montana property tax laws from the Revised Codes of Montana and write them in nonlegal but narrative form. In doing so, we attempted to compile all the laws in one place in a form more easily readable than the Codes themselves. Of course, we have sacrificed legal accuracy. But for our purposes, such a compilation made available an easy reference to property tax laws. In spite of our effort, the compilation is still quite large and is not interesting reading for everyone. But we are including the compilation in this chapter for convenience of those feeling a need for information concerning the laws. Those who are familiar with Montana property tax laws may wish to skip this section.

Compilation of Montana Property Tax Laws[7]

The property tax is the oldest source of revenue in Montana. Many of the existing provisions date back to 1891 following admission as a state in 1889. The major provisions of the property tax are contained in Title 84, Revised Codes of Montana, 1947, although many of the provisions concerning levies are contained elsewhere.

Property Subject to Tax. All property in the state which the law does not specifically exempt is subject to the property tax. This includes property which is real or personal and tangible or intangible.

The property of the United States, the state, counties, cities, towns, school districts, municipal corporations, public libraries, property used exclusively for agricultural and horticultural societies, educational purposes, places of religious worship, hospitals, and places of burial which are not held for profit, institutions of public charity, evidences of debt secured by mortgages on real or personal property in the state, public art galleries, and public observatories are exempt from the property tax. The property of veterans organizations and all property in the possession of legal guardians of incompetent veterans which is derived from funds received from the United States as pension, compensation, insurance, or gratuity is exempt from taxation as long as it is held by the guardian.

Property which is not taxable becomes taxable when it is held under contract of sale or lease with option to purchase. It is assessable to the purchaser or lessee.

Assessment. All taxable property must be assessed at its full cash value. Full cash value means the amount at which the property would be taken in payment of a just debt due from a solvent debtor.

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7. Although every effort was made to include everything in the Codes concerning the property tax, we cannot guarantee that our effort was successful.

Between the first Monday of March and the second Monday of July, the county assessor must ascertain the names of all taxable inhabitants of his county and assess all property in his county except that which is exempt or assessed by the State Board of Equalization.

Motor vehicles are assessed as of the first day of January.

Livestock in feeding pens or enclosures may be assessed on an average inventory basis. This is accomplished by adding the value of livestock more than six months of age which were being fed on the last day of each month since the last assessment date and dividing the sum by twelve.

The undistributed property of deceased persons is assessed to the heirs, guardians, executors, or administrators.

The capital stock and franchises of corporations and persons must be listed and taxed in the county, town, or district where the principal office or place of business is located.

The personal property belonging to the business of a merchant or manufacturer must be listed in the town or district where his business is carried on.

The personal property of express, transportation and stage companies, steamboats, and other watercraft must be listed and assessed in the county, town, or district where the property is usually kept.

The personal property and franchises of gas and water companies must be listed and assessed in the county, town, or district where the principal works are located.

It is the duty of the State Board of Equalization to implement the provisions of the property tax laws by providing the following:

1. A general and uniform method of classifying lands in the state of Montana for the purpose of securing an equitable and uniform basis of assessment for taxation.
    a) All lands must be classified according to their uses and graded within each class according to soil and productive capacity.
    b) Soil surveys, maps, and all other pertinent information are used.
2. A general and uniform method of appraising city and town lots.
3. A general and uniform method of appraising rural and urban improvements.
4. A general and uniform method of appraising timberlands.

It is the duty of the Board of County Commissioners to perform the following in accordance with the directions of the State Board of Equalization: (1) the classification of all taxable lands, (2) the appraisal of all taxable city and town lots, and (3) the appraisal of all taxable rural and urban improvements.

The county assessor must require a sworn statement from each person in his jurisdiction. The statement must show all the real and personal property which the person owned, possessed, or controlled at the time of assessment. The fact that such a statement is not required or that a person has not made a statement under oath does not relieve his property from taxation.

Every assessor has the power to require any person found within his county to make an affidavit giving his name, place of residence, and post office address. He may also subpoena and examine any person in relation to statements which were furnished by him or which disclose property which is assessable within the county. He may exercise this power in any county where he may find the person he desires to examine.

If any person neglects or refuses to give the required statements or to comply with the requirements of this title, the assessor must note the refusal in the assessment book and make an estimate of the value of the property. The value fixed by the assessor may not be reduced by the Board of County Commissioners.

Any property which the assessor may discover escaped assessment may be assessed at any time while it is in the ownership or under the control of the same person who owned or controlled it at the time it should have been assessed.

The county assessor must base the assessment of all lands, lots, and improvements on the classification and appraisal made by the Board of County Commissioners. The Board of County Commissioners is also responsible for mailing each owner a notice of the classification of land and appraisal of improvements which he owns. If the owner is dissatisfied with the classification of land or the appraisal of improvements, the Board of County Commissioners must give reasonable notice of the time and place of a hearing and hear any testimony or other evidence which the taxpayer may produce. If the owner still is not satisfied, he has the right to appeal to the State Board of Equalization whose findings are subject to review by the proper courts.

The Board of County Commissioners may allow the assessor as many deputies as they believe will enable him to complete the assessment within the prescribed time.

The county assessor is paid actual and necessary traveling expenses up to $500 per year. Deputies are paid expenses up to a maximum of $200 per year.

It is also the duty of the county assessor and his deputies to collect statistics called for by the Commissioner of Agriculture.

After the assessor completes the assessment book for the year, the county attorney must commence an action on the assessor's bond for the taxes on property which was not assessed because of the willful failure or neglect of the assessor.

The State Board of Equalization must assess the franchise, roadway, roadbed, and rolling stock of all railroads operated in more than one county and apportion this property to the taxing subdivisions.

The state board must also assess the franchise and property of any telegraph, telephone, electric power or transmission line, natural gas pipeline, oil pipeline, canal, ditch, flume, or other property in more than one county of the state.

The State Board of Equalization has broad supervisory powers over assessors and county boards of equalization. Under the State Constitution, the board is required to do everything necessary to secure "fair, just, and equitable" taxation.

Classification. Property must be classified by the Board of County Commissioners. The classification scheme which is used provides that taxable value is a percentage of the assessed value. The percentage depends on the class in which the property is placed. The classifications are as follows:

Class 1: The annual net proceeds of all mines and mining claims and the value of any rights of entry for the purpose of digging, exploring, or prospecting for minerals have a taxable value equal to 100 percent of their assessed value.

Class 2: All household goods and furniture, motor vehicles, boats, and harnesses are taxable on 20 percent of assessed value.

Class 3: Livestock, poultry, and the unprocessed products of both, stocks of merchandise and all furniture and fixtures used in conjunction with stocks of merchandise, and all office or hotel furniture and fixtures are taxable on 33 1/3 percent of assessed value.

Class 4: All land, city and town lots, and improvements, manufacturing and mining machinery, and equipment and supplies are taxable on 30 percent of assessed value.

Class 5: All monies and credits, operating property of electric and telephone cooperatives, and unprocessed agricultural products are taxable on 7 percent of their assessed value.

Class 6: Monies, credits, monied capital, and bank shares are taxable in part at 7 percent of assessed value and in part at 30 percent of assessed value.

Class 7: Free port merchandise and new industrial property less than three years old are taxed on 7 percent of assessed value.

Class 8: Improvements on real property valued at not more than $17,500 which is owned and occupied by certain widows, widowers, and recipients of retirement benefits are taxable on 15 percent of assessed value.

Class 9: All property which is not in the first eight categories has a taxable value equal to 40 percent of assessed value.

Equalization. The Board of County Commissioners is the County Board of Equalization and must meet on the third Monday of July each year to examine the assessment book and equalize the assessment of property in the county. The board has the power to raise or lower assessments contained in the book so as to equalize the assessments contained in the book and to make the assessment conform to the true value of the property. The board also has the power, in the event that any class of property is assessed as a class at more or less than its actual value, to raise or lower the assessment of all the property in a class by a certain percentage.

No reduction may be made in the valuation of property unless the party affected or his agent files a written application for reassessment with the board. The Board of County Commissioners, however, may lower the valuation of all of one class of property in the county on its own initiative.

Under the provisions of Article XII, Section 15, of the Montana Constitution, the State Board of Equalization must adjust and equalize the valuation of taxable property among counties and individual taxpayers. The board must also supervise and review the acts of the county assessors and county boards of equalization, change valuations made by county assessors or equalized by county boards of equalization, and exercise whatever other authority is necessary to secure a fair, just, and equitable valuation of all taxable property among counties and between individual taxpayers.

The efforts of the board in carrying out this mandate are seen in the differences between market value and assessed value for many types of property. For example, the assessed value of residential houses is taken to be 40 percent of the market value. Agricultural land is assessed at 20 percent of market value. The assessed value is then multiplied by the percentage given in the classification system to obtain taxable value. Hence, a house would have a taxable value equal to 12 percent of its market value while the taxable value of agricultural land would be 6 percent of market value.

Levies. Taxes on property may be levied for a variety of purposes. The authorization for these levies is contained in various parts of the law. These levies may be divided into levies for state purposes, levies for county purposes, city and town taxes, and school taxes.

Taxes for State Purposes. A tax of no more than 2 mills may be levied each year for the general support and maintenance of the state government.

A levy of up to 6 mills is authorized for the support and maintenance of the university system. An additional levy of 1 mill is authorized for the university building bond interest and redemption fund.

A tax of no more than 1 mill may be levied for servicing the debt represented by state hospital bonds.

A levy of .5 mill may be used to service the state training school bonds.

A special levy on livestock of up to 4 mills may be utilized for purposes of paying bounties on wild animals and for stock inspection.

Excluding the special livestock tax, the total possible levy for these state purposes is 9.5 mills. These taxes are authorized by Chapter 321, Laws of 1969.

Taxes for County Purposes. The Board of County Commissioners may levy a tax for current general expenditures of no more than 24 mills (16-1015 R.C.M.).

A tax of up to 17 mills may be used to provide for care of indigent sick and other dependent poor (71-106 R.C.M.).

The Board of County Commissioners must levy a tax which is sufficient to pay all interest and principal on bonds which will come due during the year. A separate levy must be made for each series or issue of bonds (16-2039 R.C.M.).

County commissioners may levy a tax of 12 mills or less for the construction, maintenance, and improvement of public highways. This tax is applied to all taxable property in the county except that which is within the limits of cities and towns (32-3601 R.C.M.).

Provisions are made in Chapter 43, Title 11, Revised Codes of Montana, 1947, for an emergency levy of 2 mills which may be used in the case of a county disaster.

The Board of County Commissioners may levy an annual tax for the construction, maintenance, and repairing of public bridges. The basic tax may not exceed 3 mills. Additional millages are authorized depending on the total length of bridges in the county and the taxable value of property in the county (32-3602 R.C.M.).

When authorized by a majority of votes in an election, county commissioners may levy an additional tax of up to 10 mills for road and bridge construction.

The Board of County Commissioners may levy a special bridge tax which does not exceed 5 mills to defray the cost of a bridge which must be constructed and maintained by the county in a city or town (32-3604 R.C.M.).

The Board of County Commissioners may levy an annual tax of 2 mills or less for establishing, maintaining, and operating airports (1-804 R.C.M.).

The Board of County Commissioners may levy an annual tax of up to 2 mills for the construction and maintenance of public ferries (32-1518 R.C.M.).

County commissioners may levy an annual tax not to exceed 1.5 mills for the purpose of securing, equipping, maintaining and operating a county fair (16-1406 R.C.M.).

Two or more counties may form a district for holding a district fair. The boards of county commissioners in counties which form the district may levy taxes for the support of the fair. The levy may not exceed 1.5 mills in the county in which the fair is held and 1 mill in other counties in the district (16-1412 R.C.M.).

Commissioners may spend an amount from the general fund equal to a .25 mill levy for a purebred livestock show. Alternatively, they may impose a special levy of this amount for that purpose (46-2201 to 46-2202 R.C.M.).

County commissioners may levy an annual tax of not more than 3 mills upon all property in the county for a county-free library, Chapter 263, Laws of 1969.

The county commissioners may levy an annual tax which does not exceed 1 mill to cover expenses of maintaining the classification and appraisal of all property in the county (84-429.8 R.C.M.).

Counties may levy a tax of 2 mills on the taxable valuation of all agricultural, horticultural, grazing and timbered lands and their improvements for the control of noxious rodent pests (16-1175 and 16-1178 R.C.M.).

Counties may levy a tax of up to 1 mill annually to provide for the extermination of insect pests (16-1149 and 16-1152 R.C.M.).

Commissioners may levy a tax which does not exceed 2 mills to pay for the control of weeds on highways and county-owned land and to pay one-third of the cost of extermination on private land (16-1717 R.C.M.).

County commissioners may appropriate money from the general fund of the county or levy an annual tax to provide for extension work in agriculture and home economics in cooperation with Montana State University and the United States Department of Agriculture. There is no fixed limit on the amount of the levy (16-1130 R.C.M.).

Levies may be imposed for the costs of providing fire protection (11-2008 and 28-603 R.C.M.).

The Board of County Commissioners in any county which contains a portion of a soil conservation district may make an annual regular levy of 1.5 mills and an additional special levy of 3 mills (76-209 R.C.M.).

Commissioners may levy a tax of up to 2 mills to provide revenue requested by the trustees of a cemetery district. This tax applies to all taxable property in the district (9-209 R.C.M.).

Commissioners may create garbage collection districts and levy a tax which does not exceed 2 mills on the property in the district. This tax is in lieu of providing the service for specified rates (16-1013 R.C.M.).

County and district health units should be supported by the general fund. If the general fund is insufficient to meet these expenses, however, a 1 mill levy may be used (69-4504 and 69-4511 R.C.M.).

County commissioners may levy a tax of not more than .5 mill to operate and maintain a museum (16-1164 R.C.M.).

Counties may create mosquito control districts. A tax of not more than 5 mills may be imposed on all property in the district to defray expenses (16-4201 and 16-4213 R.C.M.).

Planning and zoning commissions may be created and supported by levying a tax of not more than 1 mill (16-4101 R.C.M.).

Public hospital districts may be created and supported by a tax levy of up to 3 mills on the property in the district (16-4301 and 16-4313 R.C.M.).

A levy of not more than 25 cents per head of cattle may be imposed for the support of a livestock protective committee (46-2701 and 46-2708 R.C.M.).

After a county civic center, youth center, recreation center, or similar facility has been established, commissioners may impose a levy of 1 mill for maintenance and operation (16-1179 R.C.M.).

With the concurrence of any city or town council which is involved and in the absence of objections from more than 50 percent of the property owners involved, the Board of County Commissioners may establish a metropolitan sanitary or storm sewer district. The county commissioners may charge rates not to exceed $7 to provide income for operation and maintenance expenses of a system and an additional $7 for the maintenance and operation of a storm sewer system and of a sewage treatment plant. In addition, a tax of 2 mills may be levied (16-4417 R.C.M.).

The tax levy for city-county consolidated governments may not be more than that for the general fund purposes in the city and county which have consolidated into a single government. This is limited to 40 mills. Special service districts are limited to an additional 20 mills (11-3458 R.C.M.).

Counties may establish water and sewer districts and to levy taxes on property which is benefited to help defray the cost of operation and to service debt which is incurred (16-4501 and 16-4534 R.C.M.).

Counties may levy taxes for special improvement districts. The levy may not exceed 5 percent of the principal amount of outstanding bonds and warrants (16-1601 and 16-1638 R.C.M.).

Upon petition of 51 percent of the television set owners who are registered voters, the Board of County Commissioners may create a television district. A tax may be levied which may not exceed $15 per year per person owning a television set.

A city, county, or town may establish and maintain an ambulance service. A levy of 1 mill may be imposed on the taxable value of the jurisdiction to defray the costs incurred (69-3601 R.C.M.).

City and town councils may levy an annual tax for general municipal and administrative expenses. The levy is limited to 24 mills. The levy may be increased by up to 5 mills upon approval of property owning voters (84-4701 and 84-4706 R.C.M.).

City and town councils have the option of imposing an all purpose levy. The levy may not exceed 60 mills. This levy may not include amounts necessary to service bonded indebtedness or to pay judgments. These must be separately made (84-4701 R.C.M.).

City and town councils have the same authority to levy taxes for streets and alleys within the corporate limits as the county commissioners have outside the cities and towns. The levy may not exceed 12 mills (32-3601 R.C.M.).

City and town councils may levy an annual tax of up to 7 mills for the purpose of procuring, equipping, and maintaining public parks, swimming pools, skating rinks, playgrounds, civic centers, youth centers, museums, and combinations of such facilities (84-4701 R.C.M.).

A levy of 1 mill may be imposed to provide band concerts. The proceeds from this authority may also be used for public recreation and playgrounds (11-1011 and 62-211 R.C.M.).

Cities and towns may establish a tax of 4.5 mills for support of a library.

A city or town which does not maintain a paid fire department may levy an additional tax of up to 2 mills for the purpose of maintaining and supporting a volunteer fire department (11-1909 R.C.M.).

Cities and towns have the same authority for imposing a tax for the establishment, maintenance, and operation of airports as do counties. The maximum levy is 2 mills (1-804 R.C.M.).

Cities and towns have the same authority and limitation for the imposition of a tax for ambulance service as do the counties.

City and town councils may levy taxes for cemeteries. No limit is mentioned for the levy (9-306 R.C.M.).

Whenever the total amount of a fire department relief association's fund is less than 2 percent of the taxable valuation of property within the limits of a city, town, or municipality, a special tax may be levied which does not exceed 4 mills (11-1912 R.C.M.).

For the purpose of paying salaries of police officers placed on reserve lists and pensions, a 1 mill tax may be levied. If the 1 mill levy is not sufficient, an additional levy of 2 mills may be made (11-1823 R.C.M.).

City or town councils have power to require property owners to exterminate noxious weeds on their lots and one-half of the adjacent streets. If the property owner fails to comply, the city may exterminate the weeds and impose a special tax against the property (11-985 R.C.M.).

City or town councils may levy taxes to service indebtedness incurred for water or sewerage systems. The levy is not limited in the law (11-966 R.C.M.).

City and town councils may levy a tax sufficient to pay all interest and principal which becomes due during the following year. A separate levy must be made for each series or issue of bonds (11-2322 R.C.M.).

City or town councils may create one or more sprinkling districts for sprinkling streets with water, oil, or other dust reducing agent and assess at least 75 percent of the cost against the property in each district (11-2263 R.C.M.).

City or town councils may create one or more districts to provide special lighting for streets or highways. Between one-fourth and three-fourths of the cost in installation and maintenance must be paid by a special tax on the property in the district. An annual tax may be levied to pay the cost of maintenance (11-2251 R.C.M.).

A city or town may regulate the removal of ashes, garbage, or other offensive matter from any street, alley, public grounds, or any premises and levy the cost of removal as a special tax against the property from which the matter was removed (11-909 R.C.M.).

When a judgment is recovered against a city or town and the general fund is not sufficient to pay it, the council may levy a special tax which is sufficient to pay the amount within three years (11-1501 R.C.M.).

When a special improvement district is created, the council must assess the cost against property within the district. The payments may be spread over a period of twenty years (11-2202 to 11-2205, 11-2214, and 11-2224 R.C.M.).

When other service is not provided, city commissions may enter into contracts to provide for transportation of passengers within a radius of eight miles of the city. With approval of the voters, a tax of up to 1.5 mills may be levied to raise money for this purpose (11-1019 and 11-1022 R.C.M.).

A tax of 1 mill is authorized for the creation and support of planning or zoning boards (11-3801 and 11-3855 R.C.M.).

Municipalities are empowered to adopt programs for the elimination and rehabilitation of blighted areas. They may levy taxes for such programs (11-3901 to 11-3920 R.C.M.).

Much of the law concerning school taxes refers to the foundation program. Under this program, budgets are established for schools depending on the average number of pupils in a school during the school year. The school foundation program is established at 80 percent of the maximum budgets provided. A permissive increase of 20 percent of the schedule is also allowed.

It is the duty of the county commissioners to levy a tax of 15 mills or less to provide the necessary revenue to finance the high school foundation program (75-3616 R.C.M.).

Upon demonstration of special circumstances by the board of trustees of any high school the commissioners may impose an additional levy which may not exceed 20 percent of the allowed budget (75-3612 R.C.M.).

If the 15 mill levy is not sufficient to finance the foundation program, the commissioners must levy an additional tax to fully finance the program (75-4516.1 R.C.M.).

A special tax may be levied to provide for the transportation of high school students or to pay for room and board in the vicinity of the school. The amount to be raised by this tax may not exceed two-thirds of the total of each high school transportation budget as established in (75-3407 and 75-3414 R.C.M.).

County commissioners must levy a tax sufficient to pay the necessary amount into the teachers' pension fund (75-2701 R.C.M.).

Any school district may approve additional levies by vote.

The board of trustees of school districts may submit for voter approval the creation of creating a building reserve fund over a specified number of years. This fund may not exceed 5 percent of the taxable property of the district (75-3806 R.C.M.).

High school districts may issue bonds. A tax may be levied to provide for servicing of the debt (75-4604 R.C.M.).

If additional funds are required to provide facilities for an adult education program, the county commissioners may levy a tax of 1 mill upon approval of the State Superintendent of Public Instruction (75-1633 R.C.M.).

After proper approval, school districts may issue emergency warrants and impose a special levy for their retirement (75-1716 and 75-4521 R.C.M.).

The county commissioners must impose a levy of 25 mills or less which is sufficient to provide the elementary school foundation program for the county (75-3706 R.C.M.).

Upon satisfactory establishment of the fact that special circumstances exist, the commissioners may impose an additional levy of up to 20 percent of the allowed budget (75-3801 R.C.M.).

If the 25 mill levy is not sufficient to finance the foundation program, an additional levy must be imposed (75-3706 R.C.M.).

Additional taxes of any amount may be levied upon approval of the voters (75-3801 R.C.M.).

The portion of the transportation budget which is not covered by receipts or reimbursements must be paid by a levy upon the taxable property of the district (75-3414 R.C.M.).

If a school district is abandoned and has debt outstanding without sufficient funds for retirement, the Board of County Commissioners must levy a tax sufficient to retire the debt as it matures (75-1522 R.C.M.).

An additional levy of 1 mill may be authorized by the voters to provide for the additional expense of educating crippled children between the ages of five and sixteen (75-1406 R.C.M.).

The board of trustees may authorize a tax of 1 mill for community college purposes (75-1633 R.C.M.).

Article XIII of the Montana Constitution limits the extent of public indebtedness of counties, cities and towns, and school districts to 5 percent of the taxable value of property lying within each jurisdiction.

Amounts of Taxes. Table 9.10 shows the property taxes levied for all purposes in the state according to purpose. The average mill levy is also shown. Both the taxable valuation of the state and the average mill levies have been growing with the valuation growing slightly faster since 1951. Both of these factors account for the increase in the total amount levied for all purposes.

Tables 9.11 and 9.12 show the amounts levied for state purposes alone and the average mill levies implied by these amounts. The mill levy for state purposes has been growing much more slowly than the average mill levy for all purposes.

The Montana Property Tax Base

There are two sources of data which provide an adequate description of Montana's property tax base. The most familiar data source is the Biennial Report of the Montana Board of Equalization. This source provides a summary of assessed and taxable valuations of Montana property more or less according to the dictates of the property tax law. The categories of property used allow reporting of the property values according to peculiar aspects of the law as it applies to the taxation of particular types of property. But the State Board data are of limited usefulness because: (1) it does not report the tax paid by each type of property and (2) the categories are not subject to consolidation into meaningful classes for analytical purposes. These deficiencies in the data serve as severe roadblocks to adequate analysis of property tax impact. The other source of data on Montana's property tax base arises from a five-year survey of taxable property values by the Bureau of the Census. This data also possesses deficiencies. Although the Bureau of the Census data allow classifications which are meaningful for property tax impact analysis, they still do not report property taxes levied on these classes of property. Consequently, it is very difficult to identify the impact of property taxes on residential, farm, railroad, public utility, commercial, and industrial properties. There is simply no way to identify taxes paid by these classes of property without heroic assumptions concerning its jurisdictional location and, thus, the appropriate mill levy.

Because of these deficiencies in the property tax data, we rely heavily on taxable value categories of both the Bureau of the Census and the Board of Equalization and a considerable amount of judgment concerning the impact of property taxes levied on each type of property. Table 9.13 was prepared to show the taxable value of property according to

TABLE 9.10

Property Taxes Levied for All Purposes 1951-68

Year	State Levies (000)	County Levies (000)	School Levies (000)	City and Town Levies (000)	High School Districts Levies (000)	Fire District Levies (000)	Hail Insurance Levies (000)	Drainage and Irrigation Levies (000)	Other Miscellaneous Levies (000)	Total of all Levies (000)	Taxable Valuation of State (000)	Average Mill Levy (000)
1951	3,858	14,980	21,010	8,155	1,668	93	494	1,345	293	51,896	492,417	105.4
1952	4,188	16,015	22,002	8,674	1,773	100	295	1,417	315	54,778	530,116	103.3
1953	4,238	16,638	21,342	9,248	2,899	104	686	1,483	320	56,958	538,725	105.7
1954	4,336	17,249	23,880	9,833	3,881	143	504	1,586	339	61,751	553,431	111.6
1955	4,424	18,746	27,114	10,500	4,650	173	467	1,497	387	67,958	586,408	115.9
1956	4,638	19,687	30,424	11,405	5,515	165	211	1,385	613	74,043	619,207	119.6
1957	4,855	21,401	31,710	12,228	6,164	179	406	1,560	647	79,149	639,537	123.8
1958	6,666	22,536	33,188	13,362	6,836	204	441	1,561	676	85,470	664,576	128.6
1959	5,961	24,551	35,088	13,687	7,651	215	562	1,575	720	90,011	673,197	133.7
1960	5,851	25,073	37,410	13,932	8,571	226	652	1,617	805	94,137	691,647	136.1
1961	6,450	25,286	38,682	15,276	9,542	273	461	1,714	863	98,458	690,776	142.5
1962	5,932	25,509	39,411	14,633	11,244	293	657	1,841	838	100,358	693,236	144.8
1963	6,394	27,146	46,454	15,256	9,797	289	603	1,794	1,011	108,744	737,063	147.5
1964	5,355	27,095	46,495	15,967	9,754	315	607	1,868	1,032	108,488	758,831	143.0
1965	7,139	28,364	50,491	17,192	10,665	395	580	1,874	1,139	117,841	785,065	150.1
1966	5,309	28,917	53,453	17,774	12,261	282	424	1,904	1,307	121,630	824,479	147.5
1967	7,294	31,949	63,710	19,196	14,206	361	669	1,962	1,460	140,807	853,557	165.0
1968	7,596	31,968	65,919	20,533	14,688	460	780	1,800	1,715	145,460	872,458	166.7

Source: Biennial Report, 1967-68 and prior issues, Montana State Board of Equalization.

TABLE 9.11

Property Taxes for State Purposes

Year	All State Purposes (000)	General Fund (000)	University Millage (000)	University Bonds (000)	Mental Hospital Bonds (000)	Training School Bonds (000)	Livestock (000)
1951	3,858	No Levy	2,955	492	246	No Issue	164
1952	4,188	No Levy	3,172	529	265	No Issue	222
1953	4,238	No Levy	3,231	539	269	No Issue	199
1954	4,336	No Levy	3,318	553	277	No Issue	188
1955	4,424	No Levy	3,512	79	294	253	287
1956	4,638	No Levy	3,714	No Levy	310	310	305
1957	4,855	No Levy	3,838	No Levy	487	320	210
1958	6,666	1,158	3,989	579	358	332	250
1959	5,961	1,345	4,037	87	44	44	405
1960	5,851	1,382	4,146	No Levy	No Levy	No Levy	323
1961	6,450	1,381	4,143	601	No Levy	No Levy	325
1962	5,932	1,387	4,161	88	No Levy	No Levy	295
1963	6,394	1,474	4,260	226	97	No Levy	338
1964	5,355	186	4,263	365	127	53	361
1965	7,139	1,385	4,660	460	188	111	335
1966	5,309	205	4,585	62	26	15	416
1967	7,294	1,497	4,885	224	75	75	539
1968	7,596	1,744	5,018	36	163	87	549

Source: Biennial Report, 1967-68, and prior years, State Board of Equalization.

TABLE 9.12

Mill Levies for State Purposes

Year	All State Purposes	General Fund	University Millage	University Bonds	Mental Hospital Bonds	State Training School Bonds	Livestock
1951	7.83	None	6.00	1.00	.50	None	4.0
1952	7.90	None	6.00	1.00	.50	None	4.1
1953	7.87	None	6.00	1.00	.50	None	4.0
1954	7.83	None	6.00	1.00	.50	None	4.0
1955	7.54	None	6.00	1.00	1.00	.50	5.9
1956	7.49	None	6.00	None	.50	.50	7.5
1957	7.96	2.00	6.00	None	.80	.50	6.6
1958	10.03	2.00	6.00	1.00	.80	.50	7.1
1959	8.85	2.00	6.00	1.00	.50	.50	9.8
1960	8.46	2.00	6.00	None	None	None	8.0
1961	9.34	2.00	6.00	1.00	None	None	9.0
1962	8.56	2.00	6.00	.13	None	None	8.4
1963	8.93	2.00	5.75	.35	.15	None	8.1
1964	6.81	.30	5.60	.50	.17	.08	8.4
1965	9.09	2.00	5.94	.59	.24	.14	8.5
1966	6.44	.25	5.56	.08	.03	.02	9.8
1967	8.55	1.75	5.72	.26	.09	.09	11.0
1968	8.71	2.00	5.75	.04	.19	.10	11.2

Source: Biennial Report, 1967-68, and prior years, State Board of Equalization.

the Bureau of the Census categories which are meaningful because they identify residential, public utility, farm, commercial and industrial taxable values. Table 9.13 also shows the changes in taxable values from 1961 to 1966 in terms of totals, on a per capita basis, and per $1,000 of personal income. Within the state assessed property category, railroad and net proceeds taxable values declined in their role in Montana's tax base from 1961 to 1966. State assessed public utility property became a bit more important in the base between 1961 and 1966. Overall, locally assessed property became slightly more important in Montana's property tax base. Residential real and personal property became three percentage points more important from 1961 to 1966. Agricultural and commercial and industrial property became slightly less important during the five-year period. There are no striking changes in the role of any of the types of property. There was remarkable stability during the five years in the role each type of property played in Montana's property tax base.

It should be noted that reclassification of farm lands and reappraisal of residential and commercial and industrial property occurred during the period from 1961 to 1966. Some of the increased taxable value is due to reclassification and reappraisal, and some of the increase is due to additions of property to the tax base through construction. Thus, interpretations of changing roles of certain classes of property changes in per capita amounts and per $1,000 of personal income should be interpreted with these factors in mind.

Growth in Montana's property tax base in total and in terms of per capita and per $1,000 of personal income measures was not particularly high from 1961 to 1966. Because of reclassification and reappraisal, it is impossible to sort out the effect of economic growth on property tax base expansion during the period. Obviously, some of the increase in the tax base is due to reclassification and reappraisal, and some of the growth is due to additions of property to the base.

During the five-year period, total taxable value per capita grew 15.9 percent or at an annual rate of 3.0 percent. The annual growth in per capita taxable value of state assessed property was only 1.4 percent, and the annual growth in per capita taxable value of locally assessed property was 3.5 percent. The annual growth in vacant lots and nonfarm residential real and personal properties were highest at 10.0 percent and 6.5 percent, respectively. The property tax base is growing slightly faster than the state's population.

The total taxable value of property in Montana is not growing as fast as personal income in the state. Taxable value per $1,000 of personal income declined by 12.7 percent from 1961 to 1966. Taxable values of only three categories of property grew faster than personal income from 1961 to 1966. Growth in the taxable value of public utility property, nonfarm residential property and vacant lots exceeded growth in personal income during the five-year period.

Table 9.14 was prepared to show the same kinds of comparisons of taxable value according to the Board of Equalization categories.

TABLE 9.13

Property Tax Base in Montana in 1961 and 1966 and Changes 1961 to 1966[1]

	Taxable Value		Percent of Total Taxable Value		Total	Per Capita	Per $1,000 Personal Income	Change (+, 0, -) in Percent of Total Taxable Value	Per Capita	Per $1,000 Personal Income
	1961	1966	1961	1966	1961-66	1961-66	1961-66	1961-66	1961-66	1961-66
State Assessed	(161)	(178)	(23)	(22)	10.5	7.4	-19.1	(-)	1.4	-3.5
Railroads	58	49	8	6	-15.6	- 9.2	-38.2	-	-1.8	-6.3
Public Utilities	49	70	7	8	42.8	13.9	4.6	+	2.6	.9
Other (Net Proceeds)	53	59	8	7	11.3	8.1	-18.7	-	1.6	-3.4
Locally Assessed[3]	(530)	(647)	(77)	(78)	22.0	18.6	-10.7	(+)	3.5	-2.1
Residential	131	185	19	22	41.2	37.2	3.2	+	6.5	.6
Farms	172	202	25	24	17.4	14.1	-14.2	-	2.7	-2.6
Vacant Lots	3	5	*Z	1	66.7	61.3	21.4	+	10.0	4.0
Commercial & Industrial[2]	173	196	25	24	13.2	10.0	-17.2	-	1.9	-3.1
Motor Vehicles	43	52	6	6	20.9	17.6	-11.7	0	3.3	-2.2
Other	6	7	1	1	16.6	13.6	-15.2	0	2.6	-2.8
Total Taxable Value	691	825	100	100	19.3	15.9	-12.7	---	3.0	-2.4
Population[2]	682	702	---	---	----	----	-----	---	----	----
Personal Income	1,371	1,875	---	---	----	----	-----	---	----	----

Sources: Biennial Report, Twentieth, Twenty-Second, Montana State Board of Equalization.

"Population Estimates for Montana, 1950-68" (Missoula: Bureau of Business and Economic Research, University of Montana, July, 1969).

"Taxable Property Values, 1961 and 1966", Census of Governments, 1962 and 1967 (U.S. Dept. of Commerce, Bureau of the Census).

Survey of Current Business, August 1969 (U. S. Dept. of Commerce, Office of Business Economics).

1. Details may not add to totals due to rounding. 2. These categories include fixed as well as personal property. 3. Substantial amounts of locally assessed public utility property is contained in this category which could not be separated out. *Z stands for less than 0.5 percent.

Although changes in the property tax base by the more meaningful census categories becomes clouded by using the Board of Equalization categories, the Board breakdown of taxable values is much more familiar to everyone. Additionally, use of the Board of Equalization data allows extension of the analysis to county areas. The data in Table 9.14 are for 1960 and 1968.

Total taxable value of the state increased from about $692 million to $872 million from 1960 to 1968. This was a total growth of 26.14 percent or an annual rate of growth of 2.9 percent per year. The taxable value of each of the items is shown for 1960 and 1968 in the first two columns of Table 9.14. It should be noted that the taxable value of six items actually declined during the eight-year period. The items showing a decline in taxable value are irrigated land, patented mining claims, improvement on patented mining claims, solvent credits, agricultural products not classified as merchandise, and net proceeds of mines. Items showing an increase of over 100 percent during the eight-year period are industrial sites, bank surplus, aircraft, and watercraft. Sixteen of the categories became less important, i.e., were a smaller percent of the total, from 1960 to 1968 (see column 8).

Growth in taxable value per capita was 22.68 percent from 1960 to 1968, slightly less than the growth in total taxable value. However, the same general pattern of growth exists in per capita terms as it exists in total value terms.

Growth in taxable value per $1,000 of personal income is a different matter. In only eight categories did the taxable value grow faster than personal income. Items growing faster than personal income and therefore having positive percent changes in taxable value per $1,000 of personal income (see column 7) are timber lands, industrial sites, city and town lots, machinery other than farm or manufacturing machinery, mining machinery and fixtures, bank surplus, aircraft, and watercraft. Items having the most significant lag in growth in relation to personal income from 1960 to 1966 are irrigated land; patented mining claims; improvements on patented mining claims; reserved rights of entry; solvent credits; agricultural products, goods, wares, and merchandise; manufacturing machinery; drilling rigs and oil equipment; and net proceeds of mines. These items comprised about 15 percent of the taxable value in 1968. Items showing any growth at all in relation to personal income comprised only 7 percent of the total tax base in 1968.

County by county analyses of the same type in Table 9.14 were also done. The detail concerning taxable values, percent each item makes up of the tax base per capita values and changes, appear in the appendix to this chapter. A county-by-county analysis and discussion similar to that for the state as a whole could be done but such an effort would require a considerable amount of space. In lieu of that, we have summarized each property type for all counties by indicating the number of counties experiencing increases, no change or decreases in total taxable value, taxable value per capita, taxable value per $1,000 of personal income, and percent of total taxable value. Table 9.15 shows the results of that analysis.

TABLE 9.14

Property Tax Base in Montana, 1968, and Changes in it, 1960 to 1968

					Percentage Change in Taxable Value			
Type of Taxable Property[1]	Taxable Value 1960 (000)	Taxable Value 1968 (000)	Percent of Total Taxable Value 1960	Percent of Total Taxable Value 1968	Total 1960-68	Per Capita 1960-68	Per $1,000 of Personal Income 1960-1966[2]	Change (+, 0, -) in Percent of Total Taxable Valuation 1960-68
Real Estate and Improvements								
Irrigated Land	$16,315	$13,321	1.45	1.52	18.36	- 20.61	-39.69	-
Nonirrigated Land	43,532	50,319	6.29	5.77	15.59	12.42	-15.85	-
Grazing Land	30,298	38,223	4.38	4.38	26.15	22.71	- 6.66	0
All Agricultural Land	90,145	106,037	13.03	12.15	17.18	13.97	-14.00	-
Improvements on Agricultural Land	33,571	39,850	4.85	4.57	18.70	15.44	-17.95	-
Timber Lands	2,257	4,312	.33	.39	91.05	85.67	1.20	+
Industrial Sites	931	2,147	.13	.25	130.61	124.64	5.88	+
Improvements on Industrial Sites	19,895	29,198	2.88	3.35	46.76	42.72	- 3.29	+
Patented Mining Claims	1,228	1,049	.18	.12	- 14.58	- 17.03	-35.56	-
Improvements on Patented Mining Claims	1,631	162	.24	.02	- 90.07	- 90.48	-91.67	-
Reserved Rights of Entry	1,214	1,259	.18	.14	3.70	1.11	-25.85	-
City and Town Lots	23,704	38,302	3.43	4.39	61.58	57.15	13.80	+
Improvements on City and Town Lots	121,386	166,589	17.55	19.09	37.23	33.48	- 3.31	+
Total All Livestock	40,322	49,016	5.83	5.61	21.56	18.24	-22.08	-
Personal Property Other Than Livestock								
Household Furniture, Apparel, Jewelry, etc.	14,088	15,178	2.04	1.74	7.73	4.78	-22.54	-
Farm Machinery and Equipment	17,973	21,332	2.60	2.45	18.68	15.41	-22.52	-
Machinery Other Than Farm Equipment or Manufacturing	5,189	9,348	.75	1.07	80.15	75.19	.79	+
Solvent Credits	4,609	3,558	.67	.41	- 22.79	- 25.00	-42.61	-
Agricultural Products Not Classed as Merchandise	3,238	3,057	.47	.35	- 5.59	- 8.12	-53.79	-
Goods, Wares, and Merchandise	28,993	30,336	4.19	3.48	4.63	1.74	-27.79	-
Furniture and Fixtures of Stores and Offices	8,117	10,174	1.17	1.17	25.34	21.93	-10.41	0
Manufacturing Machinery, Fixtures	16,162	20,597	2.34	2.36	27.44	23.94	-38.54	+
Mining Machinery, Fixtures	3,778	6,257	.55	.72	65.61	60.96	82.31	+
Drilling Rigs, Oil Equipment	2,628	3,876	.38	.44	47.48	43.33	-31.09	+
Bank Stock and Money Capital	8,011	10,843	1.16	1.24	35.35	31.62	- 5.28	+
Bank Surplus	1,238	2,680	.18	.31	116.47	110.33	39.56	+
Aircraft	485	1,160	.07	.13	139.17	131.94	30.55	+
Watercraft	258	676	.04	.08	162.01	157.89	68.42	+
Motor Vehicles	47,167	64,750	6.82	7.42	37.27	33.50	- 6.90	+
Total Property Other Than Public Utility Property	501,129	670,526	74.45	76.85	33.80	30.14	- 8.87	+
Public Utility Property								
Total Locally Assessed Property of Utilites	27,042	32,885	3.91	3.77	21.60	18.27	-19.11	-
Allocations of Utility Lines by S.B.E.	104,706	118,282	15.14	13.56	12.96	9.87	-16.13	-
Net Proceeds of Mines	58,771	50,765	8.50	5.82	- 13.63	16.00	-25.70	-
Total Taxable Valuation	691,647	872,458	100.00	100.00	26.14	22.68	-11.80	

Sources: Twentieth Biennial Report, and subsequent reports, Montana State Board of Equalization.

"Population Estimates for Montana Counties as of July 1, 1968," (Missoula: Bureau of Business and Economic Research, University of Montana, July 1969).

Montana Fiscal Affairs Study.

1. Due to unavailability of data for 1960, the following types of property listed in the Twenty-third State Board of Equalization Biennial Report are not reported here: wild hay land, suburban tracts, villa sites, orchards, etc.; improvements on suburban tracts; class eight improvements; mobile homes in hands of users; new industry; all other personal property; and free port merchandise. These types of property constitutes 11.30 percent of total taxable valuation in 1968.

2. The years 1960 and 1966 were used because of the lack of personal income data for 1968 in each county.

Fifty counties had an increase in total taxable value and six had a decrease in total taxable value from 1960 to 1968. No county had the same taxable value in 1968 as it had in 1960.

From 1960 to 1968, thirty counties had increases and seventeen counties had decreases in the taxable value of all agricultural land. Twenty-nine counties had decreases in the taxable value of irrigated land, twenty-four had decreases in the taxable value of nonirrigated tillable land, and nineteen had decreases in the taxable value of grazing land.

The taxable value of timberland remained constant in thirty-six counties, increased in eighteen counties and decreased in two counties. Of course, forty-four counties had no timberland taxable value in 1960, but by 1968 seven counties added timberland to their assessment roles.

In 1960 only twenty counties assessed land as industrial sites per se. By 1968, however, thirty-two counties had taxable value in industrial sites. Hence, out of the twenty-nine counties having an increase in the taxable value of industrial sites, twelve had added industrial sites to their tax base for the first time. The twenty-four counties experiencing no increase in the taxable value of industrial sites had no such taxable property in 1960 and had none by 1968. Gallatin, Lewis and Clark, and Wheatland Counties had decreases in the taxable value of industrial sites from 1960 to 1968.

In 1960 only nine of the fifty-six counties had no improvements on industrial sites, but by 1968 only seven had no taxable value of improvements on industrial sites. From 1960 to 1968, thirty-nine counties experienced increases in the taxable value of improvements on industrial sites, and thirteen counties experienced decreases in taxable value of improvements on industrial sites. The highest percent increases in taxable value in this category occurred in Deer Lodge, Fallon, Lincoln, Ravalli, and Silver Bow Counties.

Every county in the state has taxable valuation on city and town lots. However, forty-seven counties experienced increases and nine experienced decreases in the taxable value of this type of property. The counties experiencing decreases from 1960 to 1968 are Carbon, Granite, Pondera, Powell, Prairie, Rosebud, Silver Bow, Treasure, and Wibaux. The most noticeable percent increases in taxable value, i.e., over 100 percent increase occurred in Big Horn, Chouteau, Flathead, Jefferson, Lincoln, Mineral, Missoula, Phillips, Powder River, Ravalli, Richland, Roosevelt, Teton, Toole, and Yellowstone Counties.

All counties in the state also had taxable value of improvements on city and town lots in 1960 and in 1968. The taxable value of this type of property increased in fifty-three counties and decreased in three counties. Deer Lodge, Rosebud, and Silver Bow Counties had decreases in the taxable value of improvements on city and town lots from 1960 to 1968.

Of the fifty-six counties having livestock taxable value, fifty-three had increases and three had decreases in the taxable value from

TABLE 9.15

Number of Counties Experiencing Increases, Decreases, or No Change in
Various Measures of Their Property Tax Bases
1960 to 1968

Type of Taxable Property	Total Taxable Value 1960-68			Taxable Value Per Capita 1960-68			Taxable Value Per $1,000 Personal Income 1960-66[1]			Percent of Total Taxable Valuation 1960-68		
	Inc.	No Change	Dec.	Inc.	No Change	Dec.	Inc.	No Change	Dec.	Inc.	No Change	Dec.
Real Estate and Improvements												
Irrigated Land	23	4	29	22	4	30	15	4	37	17	--	39
Nonirrigated Land	32	--	24	33	--	23	19	--	37	27	--	29
Grazing Land	37	--	19	39	--	17	26	--	26	28	--	28
All Agricultural Land	39	--	17	41	--	15	15	--	41	20	--	36
Improvements on Agricultural Land	48	--	8	49	--	7	31	--	25	38	--	18
Timber Lands	18	36	2	14	37	5	12	37	7	13	36	7
Industrial Sites	29	24	3	27	25	4	22	25	9	26	23	7
Improvements on Industrial Sites	39	4	13	40	4	12	25	6	25	30	4	22
Patented Mining Claims	10	39	7	11	29	16	4	29	23	3	28	25
Improvements on Patented Mining Claims	6	39	11	4	38	14	4	38	14	4	38	14
Reserved Rights of Entry	22	26	8	23	14	19	11	14	31	16	12	28
City and Town Lots	47	--	9	48	--	8	34	--	22	39	--	17
Improvements on City and Town Lots	53	--	3	52	--	4	34	--	22	42	--	14
Total All Livestock	53	--	3	49	--	7	13	--	43	28	--	28
Personal Property Other Than Livestock												
Household Furniture, Apparel, Jewelry, etc.	28	--	28	34	--	22	5	--	51	13	--	43
Farm Machinery and Equipment	44	2	10	47	--	9	12	--	44	22	--	34
Machinery Other Than Farm Machinery or Manufacturing	35	--	21	37	--	19	24	--	32	30	--	26
Solvent Credits	20	3	33	23	1	32	12	1	43	13	2	41
Agricultural Products Not Classed as Merchandise	18	15	23	23	8	25	7	8	41	14	15	27
Goods, Wares, and Merchandise	21	--	35	26	--	30	5	--	51	4	--	52
Furniture and Fixtures of Stores and Offices	40	--	16	47	--	9	13	--	43	24	--	32
Manufacturing Machinery, Fixtures	31	7	18	29	7	20	14	7	35	23	7	26
Mining Machinery, Fixtures	16	25	15	15	25	16	10	27	19	15	25	16
Drilling Rigs, Oil Equipment	20	24	12	22	24	10	12	28	16	16	24	16
Bank Stock and Money Capital	46	2	8	46	2	8	20	2	34	39	2	15
Bank Surplus	54	2	--	54	2	--	43	2	11	48	2	6
Aircraft	49	--	7	48	1	7	39	2	15	48	--	8
Watercraft	52	1	3	51	1	4	47	2	7	48	1	7
Motor Vehicles	47	--	9	53	--	3	10	--	46	28	--	28
Total Property Other Than Public Utility Property	55	--	1	56	--	--	22	--	34	44	--	12
Public Utility Property												
Total Locally Assessed Property of Utilities	46	--	10	47	--	9	17	--	39	28	--	28
Allocations of Utility Lines by S.B.E.	35	--	21	44	--	12	12	--	44	14	--	42
Net Proceeds of Mines	20	13	23	19	13	24	17	13	26	17	13	26
Total Taxable Valuation	50	--	6	52	--	4	14	--	42	--	--	--

Sources: Twentieth Biennial Report, and subsequent issues, Montana State Board of Equalization.

"Population Estimates for Montana Counties as of July 1, 1968," (Missoula: Bureau of Business and Economic Research, University of Montana, July 1969).

Montana Fiscal Affairs Study.

1. The year 1966 was used because county personal income data is not available for 1968.

1960 to 1968. The taxable value of livestock fell in Big Horn, Missoula, and Silver Bow Counties during the eight-year period. Deer Lodge County experienced a 163.08 percent increase in the taxable value of livestock from 1961 to 1968.

All counties recorded taxable value of household furnishings in both 1960 and 1968. But while twenty-eight counties had increases in the taxable value of this type of property, twenty-eight had decreases from 1960 to 1968. The urban counties experienced increases except for Lewis and Clark which had a decline of 18.15 percent in the taxable value of household goods.

The taxable value of farm machinery increased in forty-four counties, remained unchanged in two counties, and declined in ten counties. The most notable increases occurred in Beaverhead, Deer Lodge, and Petroleum Counties.

Thirty-five counties experienced increased taxable values of machinery other than farm machinery, and twenty-one counties had decreases in the taxable value of this type of property. The percent changes in values in this category range from an increase of 3,458 percent in Jefferson County down to a 75 percent decrease in Park County.

Only two counties reported no taxable value of bank stock and monied capital in both 1960 and 1968. Of the remaining fifty-four counties, forty-six counties reported increases in the taxable value of this type of property. Eight counties reported decreases in the taxable value. The eight counties reporting decreases from 1960 to 1968 in bank stock are Beaverhead, Broadwater, Carter, Dawson, Fallon, Missoula, Park, and Ravalli.

Only one county in Montana reported a lower taxable value of property other than public utility property in 1968 than it had in 1960. Deer Lodge County had a decline in the taxable value of other than public utility property of 1.45 percent between 1960 and 1968.

All fifty-six counties reported locally assessed public utility taxable value in both 1960 and 1968. During the eight-year period, forty-six counties had increases and ten counties had decreases in this type of property. The largest percent increases in taxable value of locally assessed public utility property occurred in Jefferson County with a 518 percent increase, Judith Basin County with a 155 percent increase, Lincoln County with a 143 percent increase, Roosevelt County with a 100 percent increase, Teton County with a 196 percent increase, Valley County with a 104 percent increase, and Yellowstone County with a 103 percent increase. Counties having a decrease in the taxable value of locally assessed public utility property are Cascade, Custer, Deer Lodge, Garfield, Meagher, Petroleum, Prairie, Rosebud, Sanders, and Stillwater.

All counties report taxable value of utility property allocated by the State Board of Equalization. From 1960 to 1968, thirty-five counties experienced increases and twenty-one counties had decreases in their taxable values of this type of property. Lincoln County lost 23 percent of the 1960 taxable value of this type of property by 1968. The largest increase in the taxable value of state allocated utility property occurred in Powder River County.

In 1960, eighteen counties had no net proceeds of mines taxable value. By 1968 that number had fallen to sixteen counties. From 1960 to 1968, twenty counties experienced increases in the taxable value of net proceeds of mines whereas twenty-three counties had decreases in the taxable value of this type of property.

Table 9.15 also shows the number of counties experiencing changes in the taxable value of each type of property in per capita and per $1,000 of personal income terms. It also shows the number of counties experiencing increases, no change, or decreases in the percent each type of property makes up of the tax base in the county.

For example, forty-one counties had increases in the taxable value per capita of all farmland and fifteen had decreases. On the other hand, fifteen counties had increases in taxable value per $1,000 of personal income and forty-one had decreases. The taxable value of all farmland as a percent of the total taxable value of the county increased in twenty counties and decreased in thirty-six counties from 1960 to 1968.

Table 9.16 shows taxable property values in the fifty-six counties in total, in per capita terms, and the percent change from 1960 to 1968. Fifty of the counties had increases in total taxable value from 1960 to 1968 and six counties lost taxable value during the eight-year period. The counties losing taxable value are Carbon, Prairie, Roosevelt, Rosebud, Stillwater, and Wibaux. The counties having the highest growth in total taxable value from 1960 to 1968 are Powder River, 98 percent; Lincoln, 92 percent; and Missoula, 76 percent.

Fifty-two counties had increases in the taxable value per person from 1960 to 1968 whereas only four counties had decreases in the taxable value per capita during the eight-year period.

Table 9.17 shows the taxable values in each county for 1960 and 1966 in total, per $1,000 of personal income, and the percent changes from 1960 to 1966. It should be noted that although taxable values grow somewhat like population grows and thus most counties display per capita changes in value which are positive, this is not the case in terms of personal income. From 1960 to 1966, taxable values per $1,000 of personal income increased in only fourteen counties and declined in forty-two counties. Thus, taxable property values are not growing as fast as personal income in most counties.

Table 9.18 provides summary data concerning taxable values per capita and per $1,000 of personal income and percent changes for the nine urban counties and the twenty-one smallest counties. Per capita taxable values are much higher in the smallest counties than they are in the

TABLE 9.16

Taxable Property Value
Total, Per Capita, and Percent Changes
by County
1960 to 1968

County	Total Taxable Property Value 1960 (000)	Total Taxable Property Value 1968 (000)	Percent Change	Taxable Value Per Capita 1960 (Dollars)	Taxable Value Per Capita 1968 (Dollars)	Percent Change
Beaverhead	$ 8,494.00	$12,291.00	44.70	1,180.71	1,555.82	31.77
Big Horn	9,806.00	13,057.00	33.15	979.91	1,280.10	30.63
Blaine	8,716.00	9,162.00	5.12	1,077.25	1,205.53	11.91
Broadwater	4,608.00	4,994.00	8.38	1,643.37	1,920.77	16.88
Carbon	18,167.00	16,527.00	- 9.03	2,184.32	2,233.38	2.25
Carter	4,401.00	4,780.00	8.61	1,765.34	2,390.00	35.38
Cascade	59,711.00	75,278.00	26.07	813.30	932.81	14.69
Chouteau	13,961.00	17,591.00	26.00	1,899.97	2,748.59	44.66
Custer	11,636.00	13,176.00	13.23	879.72	954.78	8.53
Daniels	4,731.00	5,188.00	9.66	1,259.92	1,572.12	24.78
Dawson	13,393.00	16,154.00	20.62	1,087.62	1,368.98	25.87
Deer Lodge	14,083.00	14,171.00	.62	755.53	932.30	23.40
Fallon	15,944.00	18,239.00	14.39	3,988.99	4,053.11	1.61
Fergus	14,798.00	18,456.00	24.72	1,055.64	1,357.06	28.55
Flathead	25,447.00	41,846.00	64.44	771.94	1,098.32	42.28
Gallatin	23,191.00	27,373.00	18.03	890.42	937.43	5.28
Garfield	3,178.00	4,889.00	53.84	1,604.24	2,573.16	60.40
Glacier	13,091.00	17,533.00	33.93	1,131.95	1,461.08	29.08
Golden Valley	2,741.00	3,015.00	10.00	2,278.47	2,512.50	10.27
Granite	4,540.00	5,409.00	19.14	1,506.30	1,865.17	23.82
Hill	16,792.00	19,007.00	13.61	900.23	1,238.77	37.61
Jefferson	4,812.00	6,735.00	39.96	1,119.85	1,320.59	17.93
Judith Basin	6,890.00	8,118.00	17.82	2,233.39	2,618.71	17.25
Lake	10,483.00	16,028.00	52.90	799.98	1,120.84	40.11
Lewis and Clark	23,942.00	33,140.00	38.42	854.89	1,026.01	20.02
Liberty	5,431.00	7,282.00	34.08	2,069.74	3,310.00	59.92
Lincoln	8,427.00	16,140.00	91.53	672.17	901.68	34.14
McCone	5,864.00	8,667.00	47.80	1,125.31	1,494.31	32.79
Madison	4,440.00	8,133.00	83.18	1,336.95	2,541.56	90.10
Meagher	4,286.00	4,561.00	6.42	1,638.38	1,983.04	21.04
Mineral	3,170.00	3,437.00	8.42	1,043.79	1,041.52	- .22
Missoula	28,255.00	49,628.00	75.64	632.63	900.69	42.37
Musselshell	5,191.00	7,481.00	44.11	1,061.99	1,870.25	76.11
Park	11,614.00	13,059.00	12.44	881.99	1,116.15	26.55
Petroleum	1,642.00	1,942.00	18.27	1,836.69	2,427.50	32.17
Phillips	7,998.00	9,952.00	24.43	1,327.03	1,877.74	41.50
Pondera	11,649.00	12,934.00	11.03	1,522.15	1,989.85	30.73
Powder River	3,872.00	7,667.00	98.01	1,558.15	2,948.85	89.25
Powell	7,602.00	9,006.00	18.47	1,085.53	1,200.80	10.62
Prairie	4,343.00	4,339.00	- .09	1,873.60	2,169.50	15.79
Ravalli	7,480.00	11,540.00	54.28	606.11	836.23	37.97
Richland	9,262.00	13,944.00	50.55	881.76	1,303.18	47.79
Roosevelt	17,277.00	15,969.00	- 7.57	1,472.76	1,438.65	- 2.32
Rosebud	14,344.00	10,557.00	-26.40	2,318.41	1,675.71	-27.72
Sanders	10,870.00	13,560.00	24.75	1,579.94	2,054.55	30.04
Sheridan	7,967.00	12,306.00	54.46	1,233.66	2,051.00	66.25
Silver Bow	34,683.00	37,576.00	8.34	746.61	822.23	10.13
Stillwater	8,542.00	8,300.00	- 2.83	1,545.78	1,729.17	11.86
Sweet Grass	5,324.00	5,934.00	11.46	1,618.24	1,978.00	22.23
Teton	10,863.00	12,763.00	17.49	1,489.10	2,127.17	42.85
Toole	11,499.00	16,039.00	39.48	1,454.83	2,467.54	69.61
Treasure	2,268.00	2,441.00	7.63	1,686.25	2,034.17	20.63
Valley	12,108.00	16,338.00	34.94	708.90	1,276.41	80.05
Wheatland	4,320.00	4,572.00	5.83	1,427.63	1,632.86	14.38
Wibaux	9,277.00	7,780.00	-16.14	5,463.49	4,862.50	-11.00
Yellowstone	74,221.00	96,383.00	29.86	939.32	1,184.07	26.06

Sources: Biennial Report, Twentieth, Twenty-second, and Twenty-fourth; Montana State Board of Equalization.

TABLE 9.17

Taxable Property Values
Total, Per $1,000 of Personal Income

County	Total Taxable Property Value 1960 (000)	Total Taxable Property Value 1966 (000)	Percent Change	Total Taxable Property Value Per $1,000 Personal Income 1960 (Dollars)	Total Taxable Property Value Per $1,000 Personal Income 1966 (Dollars)	Percent Change
Beaverhead	$ 8,494.00	$11,353.00	33.66	433.26	629.53	45.30
Big Horn	9,806.00	12,226.00	24.68	586.66	536.84	- 8.49
Blaine	8,716.00	8,600.00	- 1.33	708.04	509.45	-28.05
Broadwater	4,608.00	4,800.00	4.17	870.91	760.94	-12.63
Carbon	18,167.00	17,411.00	- 4.16	1,385.31	1,199.10	-13.44
Carter	4,401.00	4,431.00	.68	798.29	718.04	-10.05
Cascade	59,711.00	71,370.00	19.53	345.05	299.49	-13.21
Chouteau	13,961.00	16,602.00	18.92	808.96	509.62	-37.00
Custer	11,636.00	12,805.00	10.05	408.94	354.09	-13.41
Daniels	4,731.00	4,997.00	5.62	546.75	443.47	-18.89
Dawson	13,393.00	15,377.00	14.81	561.74	514.95	- 8.33
Deer Lodge	14,083.00	12,787.00	- 9.20	420.87	319.92	-23.98
Fallon	15,944.00	16,833.00	5.58	1,877.31	1,718.16	- 8.48
Fergus	14,798.00	17,757.00	20.00	550.36	492.96	-10.43
Flathead	25,447.00	36,338.00	42.80	404.65	410.76	1.51
Gallatin	23,191.00	25,390.00	9.48	492.10	374.61	-23.87
Garfield	3,178.00	4,502.00	41.66	672.88	783.23	16.40
Glacier	13,091.00	14,997.00	14.56	704.16	483.79	-31.30
Golden Valley	2,741.00	2,927.00	6.79	1,174.38	1,072.16	- 8.70
Granite	4,540.00	4,782.00	5.33	810.14	787.03	- 2.85
Hill	16,792.00	18,471.00	10.00	425.51	355.07	-16.56
Jefferson	4,812.00	6,606.00	37.28	788.08	842.92	6.96
Judith Basin	6,890.00	7,784.00	12.98	1,138.28	758.45	-33.37
Lake	10,483.00	15,016.00	43.24	575.48	600.16	4.29
Lewis and Clark	23,942.00	31,039.00	29.64	349.73	348.27	- .42
Liberty	5,431.00	7,170.00	32.02	711.33	741.85	4.29
Lincoln	8,427.00	11,995.00	42.34	425.84	339.52	-20.27
McCone	5,864.00	8,160.00	39.15	1,159.35	686.52	-40.78
Madison	4,440.00	7,009.00	57.86	450.90	682.54	51.37
Meagher	4,286.00	4,269.00	- .40	645.48	643.21	- .35
Mineral	3,170.00	3,574.00	12.74	708.70	541.27	-23.62
Missoula	28,255.00	45,248.00	60.14	314.01	323.55	3.04
Musselshell	5,191.00	7,015.00	35.14	610.99	823.36	34.76
Park	11,614.00	12,537.00	7.95	475.28	406.70	-14.43
Petroleum	1,642.00	1,806.00	9.99	623.62	833.03	33.58
Phillips	7,998.00	9,840.00	23.03	712.45	620.86	-12.86
Pondera	11,649.00	12,464.00	7.00	1,114.42	521.72	-53.18
Powder River	3,872.00	4,340.00	12.09	564.93	640.02	13.29
Powell	7,602.00	8,390.00	10.37	590.22	542.20	- 8.14
Prairie	4,343.00	4,259.00	- 1.93	963.40	899.09	- 6.67
Ravalli	7,480.00	10,842.00	44.95	402.24	473.91	17.82
Richland	9,262.00	12,727.00	37.41	616.28	609.50	- 1.10
Roosevelt	17,277.00	16,040.00	- 7.16	804.82	635.27	-21.07
Rosebud	14,344.00	10,574.00	-26.28	1,269.04	652.19	-48.61
Sanders	10,870.00	13,581.00	24.94	874.29	869.91	- .50
Sheridan	7,967.00	11,003.00	38.11	522.39	644.69	23.41
Silver Bow	34,683.00	47,225.00	36.16	344.35	376.61	9.37
Stillwater	8,542.00	7,854.00	- 8.05	871.72	653.03	-25.09
Sweet Grass	5,324.00	5,601.00	5.20	930.93	803.36	-13.70
Teton	10,863.00	12,416.00	14.30	1,030.45	545.35	-47.08
Toole	11,499.00	15,763.00	37.08	747.66	677.08	- 9.44
Treasure	2,268.00	2,341.00	3.22	722.06	642.78	-10.98
Valley	12,108.00	15,949.00	31.72	296.05	281.06	- 5.06
Wheatland	4,320.00	4,386.00	1.53	707.62	579.78	-18.07
Wibaux	9,277.00	7,148.00	-22.95	2,538.86	1,740.44	-31.45
Yellowstone	74,221.00	87,754.00	18.23	420.53	384.76	- 8.51

Sources: Biennial Report, Twentieth, Twenty-second, and Twenty-fourth; Montana State Board of Equalization.

urban counties. In 1968 taxable property per capita was 80.1 percent of the state average in the urban counties and 187.7 percent of the state average in the twenty-one smallest counties. Growth in per capita taxable values in the urban and rural counties was about the same from 1960 to 1968.

Taxable values per $1,000 of personal income is also higher in the small counties than in the urban counties. In 1966 taxable values per $1,000 of personal income was 189.0 percent of the state average in the small counties and 80.7 percent of the state average in the urban counties. The change in taxable property values per $1,000 of personal income is negative in the cases of both large and small counties.

In summary, it is clear that the property tax base grows slightly faster than growth in population. The growth in total taxable value per capita between 1960 and 1968 was 3.0 percent per year. The largest contributors to growth in per capita taxable values are residential real and personal property and motor vehicles. However, the property tax base grows slower than personal income which is indicated by the fact that taxable value per $1,000 of personal income fell by 12.7 percent between 1960 and 1966. Taxable value per $1,000 of personal income fell 2.4 percent per year between 1961 and 1966. Residential real and personal property was the only significant category showing growth in relation to personal income. The taxable value of residential real property per $1,000 of personal income grew only 3.2 percent during the period and at an annual rate of only 0.6 percent per year. State assessed public utility property taxable value per $1,000 of personal income grew by 4.6 percent from 1960 to 1966 or by 0.9 percent per year. However, state assessed public utility property made up only 8 percent of the total tax base in 1966.

Recall the annual growth rates in per capita direct general expenditure of all Montana local units of government from Chapter 5, "Local Government Finance in Montana," Table 5.14. From 1957 to 1967, direct general expenditures per capita grew 5.5 percent per year. However, the per capita tax base used to support those expenditures grew at 0.6 percent per year from 1960 to 1968. Growth in the property tax base simply has not kept up with the demands of people for government services. Per capita expenditures have grown annually 49 percentage points more than the per capita taxable value of the state. Also, recall from Table 5.23 of "Local Government Finance in Montana" that local property tax revenue per capita increased at an annual rate of 4.9 percent per year from 1957 to 1967. This annual growth in per capita revenue was 4.3 percentage points greater than the annual growth in the per capita property tax base. Out of the total annual growth in per capita property tax revenue, about 88 percent has arisen through property tax rates (mill levies) and 12 percent has arisen out of the growth in per capita taxable value during the decade of the 1960s.

Changes in the property tax base from county-to-county are strikingly variable. A large number of counties experienced decreases in the taxable value of very important elements of their property tax base. It is alarming that seventeen of the counties would have experienced a decline in the taxable value of farmlands and that thirteen counties would have experienced a decline in the taxable value of improvements on industrial sites.

Decreases in taxable value per capita are even more alarming because that indicates there is less property tax base per person rather than more. Item-by-item, fewer counties experienced decreases in property value per capita than experienced decreases in total property value between 1960 and 1968. However, uniformly more counties had decreases in taxable value per $1,000 of personal income than had decreases in total property values or property values per capita.

It is clear that if local expenditures per capita continue to grow as they have during the past decade and if Montana continues with the same system of local finance, significant annual increases in property tax rates (mill levies) will have to occur. Growth in the property tax base has not been large enough to account for more than 12 percent of the annual growth in per capita expenditures.

Furthermore, the property tax is even more inadequate in urban areas than in rural areas because the per capita base is growing at about equal rates in urban and rural areas, and per capita expenditures are growing more rapidly in urban areas than in rural areas (see Table 5.14 in "Local Government Finance" and Table 9.18 below).

Mill Levy Comparisons and Growth

Because the total taxable value of property has grown so slowly in Montana and because its growth is highly variable from county-to-county, it is illuminating to compare mill levies among areas and over time to get a picture of their pattern and growth across the state.

Table 9.19 shows mill levies of municipalities by population-size group for fiscal 1960-61 and fiscal 1969-70. It is apparent that the larger cities and towns have higher mill levies than the smaller municipalities on the average. However, there are exceptions to that generality. For example, Alberton has the highest mill levy in the state in fiscal 1970 at 337.58 mills. Superior has the next highest mill levy at 279.53 mills followed by Eureka with a levy of 260.51 mills. Mill levies are highly variable among communities. Broadus has the lowest mill levy among the group of municipalities included in Table 9.19 with a mill levy of 116.57. The Alberton levy is nearly three times higher than the Broadus levy.

Analysis of differences in mill levies is difficult because of the large number of jurisdictions. In spite of this complexity, we did a rather cursory analysis of the reason for differences in mill levies among county areas. The primary large difference in mill levies among communities across the state suggests that school levies constitute the main differences. Furthermore, differences in deficiency levies and voted levies for financing schools constitute the bulk of the differences in mill levies among communities.

TABLE 9.18

Summary Comparison of Taxable Values in Large and Small Counties Per Capita and Per $1,000 of Personal Income

	Per Capita Taxable Value 1960	Per Capita Taxable Value 1968	Percent Change 1960 to 1968	Taxable Value Per $1,000 Personal Income 1960	Taxable Value Per $1,000 Personal Income 1966	Percent Change 1960 to 1966
Urban Counties[1]	811.65	1,184.07	24.2	390.76	354.78	-9.2
Percent of State	79.10	80.10	106.6	78.10	80.70	76.0
Smallest Counties[2]	1,905.46	2,363.14	24.0	897.90	831.20	-7.4
Percent of State	185.70	187.70	105.7	179.50	189.00	61.2
All Counties	1,026.18	1,258.96	22.7	500.11	439.72	-12.1
Percent of State	100.00	100.00	100.0	100.00	100.00	100.0

Source: Montana Fiscal Affairs Study.

[1] The nine urban counties are Cascade, Deer Lodge, Flathead, Gallatin, Hill, Lewis and Clark, Missoula, Silver Bow, and Yellowstone.

[2] The twenty-one smallest counties are Broadwater, Carter, Daniels, Fallon, Garfield, Golden Valley, Granite, Jefferson, Judith Basin, Liberty, McCone, Meagher, Mineral, Musselshell, Petroleum, Powder River, Prairie, Sweet Grass, Treasure, Wheatland, and Wibaux.

TABLE 9.19

Mill Levies of Montana Municipalities of Different Population Size Groups and Percent Change From Fiscal 1961 to Fiscal 1970.

Population Size Group and Municipality	Total Mill Levies 1960-61	Total Mill Levies 1968-70	Percent Change From 1961-70
Population Above 20,000			
Helena	179.00	256.01	---
Butte	165.62	244.54	148
Great Falls	187.24	239.81	128
Missoula	193.32	229.43	119
Billings	147.26	203.24	138
Average	174.49	234.61	134
Population 10,000 to 20,000			
Havre	174.17	237.75	137
Bozeman	157.75	224.47	142
Anaconda	170.13	223.01	131
Kalispell	181.45	198.56	109
Average	170.88	220.95	129
Population 5,000 to 10,000			
Glendive	172.05	220.81	128
Livingston	146.29	202.02	138
Miles City	143.66	191.99	134
Glasgow	195.21	185.83	95
Lewistown	180.56	185.47	103
Average	167.55	197.22	118
Population 2,000 to 5,000			
Shelby	176.16	224.16	127
Chinook	178.70	222.07	124
Whitefish	202.82	219.50	108
Deer Lodge	135.58	218.25	161
Hamilton	195.32	215.17	110
Wolf Point	173.96	214.72	123
Libby	192.95	208.30	108
Plentywood	177.92	197.89	111
Laurel	153.10	197.34	129
Red Lodge	177.65	188.42	106
Columbia Falls	162.99	187.81	115
Malta	151.80	186.58	123
Dillon	162.62	186.14	114
Sidney	189.30	184.05	97
Polson	156.04	182.50	117
Conrad	139.91	178.24	127
Baker	144.07	173.63	121
Forsyth	112.13	170.78	152
Cut Bank	139.86	167.25	120
Roundup	145.20	164.67	113
Browning	150.50	151.10	100
Hardin	140.16	147.02	105
Average	140.41	169.08	120
Population 1,000 to 2,000			
Superior	205.88	279.53	136
Eureka	202.14	260.51	129
Ronan	189.03	243.44	129
Harlem	159.67	242.58	152
Philipsburg	131.90	241.59	183
Walkerville	155.67	229.72	148
East Helena	169.07	228.44	135
Columbus	133.00	220.13	166
Poplar	129.84	215.21	166
Belgrade	160.63	213.66	133
Three Forks	141.13	209.15	148
Scobey	174.04	208.87	120
Chester	141.18	206.49	146
Townsend	163.52	203.39	124
Harlowton	147.87	202.98	137
Fort Benton	171.00	197.47	115
Boulder	171.45	192.41	112
Circle	174.00	184.45	106
Fairview	186.35	181.28	97
Big Timber	135.11	172.24	127
White Sulpher Springs	135.60	167.81	124
Terry	136.68	165.87	121
Thompson Falls	141.50	162.29	115
Average	158.97	208.27	131
Population 500 to 1,000			
Nashua	160.28	231.88	145
Troy	175.05	231.65	132
Stevensville	185.43	218.71	118
Bridger	151.95	214.08	141
Manhatten	152.45	213.82	140
Fairfield	179.58	212.47	118
Belt	158.33	212.42	134
Ennis	151.22	210.18	139
Plains	145.56	204.21	140
Twin Bridges	164.76	203.94	124
St. Ignatius	192.53	202.44	105
Sheridan	171.47	200.31	117
Cascade	141.71	194.89	138
Sunburst	225.74	193.90	86
Culbertson	163.77	191.83	117
Valier	120.56	183.67	152
Hot Springs	141.29	179.78	127
Dutton	161.36	176.81	110
Whitehall	131.18	173.53	132
Big Sandy	186.98	169.22	91
Stanford	160.16	165.13	103
Jordan	186.00	162.17	87
Drummond	137.41	162.00	118
Lodge Grass	170.10	156.10	92
Ekalaka	140.37	155.26	111
Wibaux	84.83	130.96	154
Broadus	118.65	116.57	98
Average	157.73	187.70	119
Population Below 500			
Alberton	208.39	337.58	162
Froid	219.80	253.84	115
Flaxville	183.97	244.37	133
Medicine Lake	180.33	227.56	126
Darby	157.03	225.36	144
Kevin	194.04	217.56	112
Virginia City	231.62	217.48	94
Westby	205.31	208.11	101
Saco	162.95	207.94	128
Ophiem	220.56	203.83	92
Moore	141.36	201.61	143
Richey	168.26	195.66	116
Geraldine	181.21	195.58	108
Hysham	139.85	194.49	139
Neihart	193.72	194.30	100
Brockton	171.59	193.19	113
Joliet	172.05	192.64	112
Clyde Park	137.66	188.30	137
Denton	142.54	187.09	131
Fromberg	147.95	182.90	124
Hingham	154.27	181.83	118
Bainville	157.29	180.24	115
Dodson	198.59	178.64	90
Broadview	150.37	176.50	117
Melstone	170.77	176.42	103
Plevna	144.63	168.07	116
Winnett	124.70	164.05	132
Grass Range	122.08	162.59	133
Lavina	130.01	159.75	123
Lima	138.26	158.85	115
Judith Gap	129.23	155.20	120
Hobson	113.18	154.88	137
Bearcreek	119.58	143.70	120
Winifred	200.43	143.62	72
Ryegate	115.46	136.66	118
Outlook	111.85	136.50	122
Ismay	89.77	134.92	150
Average	160.29	188.70	118
Average for all Cities and Towns	161.43	195.38	121

Source: Montana Taxpayers' Association.

Table 9.20 shows mill levies by type of levy for public school financing in Montana for fiscal 1969-70. It also shows the range of county-wide mill levies for support of the foundation program and for support of high school teacher's retirement and high school transportation. High school teacher's retirement and high school transportation are financed by county-wide mill levies.

Column 1 of Table 9.20 shows the combined elementary (25 mills) and high school (15 mills) levied county-wide in every county for support of the foundation program. Only 9 of the 112 municipalities in Table 9.20 show less than the full 40 mills for support of the foundation program. The county-wide levy in Powder River County (Broadus) is only 12.88 mills. The reason for the lower county-wide levies is the fact that valuations per student are so high that lower levies are sufficient to fund the foundation program schedules in those counties.

Table 9.20 also shows the county-wide deficiency levies required to make up for inadequate state funding of the foundation program. The deficiency levies vary from 3.36 mills in Toole County to 10.37 mills in Lincoln County. While the basic foundation program levy for elementary and high school funding is 40 mills, the lack of state funds has resulted in a range of levies from 43.36 in Toole (Shelby) to 50.37 in Lincoln (Libby).

Other mills under the county-wide mill levies in Table 9.20 represent mill levies for high school teacher's retirement and high school transportation. It can be seen that these levies also contribute to mill levy differences among counties and therefore have implication for equalization. For those counties receiving state equalization aid, these levies range from 1.28 mills in Powell (Deer Lodge) to a high of 4.28 mills in Lincoln (Libby).

The county-wide mill levies themselves constitute major differences among counties in mill levies to support public schools. County-wide levies range from a low of 13.98 in Powder River County to 54.65 in Lincoln County.

Table 9.20 also includes mill levies to make up the difference between the foundation program schedules, and the full budget schedules authorized by the legislature. Under the 1969 law, the permissive levy is 20 percent of the maximum schedules in the law. Permissive levies are authorized by the school boards for imposition on district property. All but a few school districts impose a full permissive levy. The extreme variations in permissive mill rates are a reflection of the difference in taxable value per student from one district to another. Permissive levies range from 0 in some areas to 42.07 mills in Eureka. Hence, permissive levies contribute substantially to the variation in mill levies used to support public schools.

Voted levies shown in column 6 of Table 9.20 vary greatly according to spending patterns of individual school districts and the taxable valuation per student. Some school districts do not have voted levies and in certain circumstances, final mill levies do not represent the

TABLE 9.20

Public School Financing, Mill Levy Breakdown, 1969-70

	County Wide Mill Levies				General Fund Levies			Total Public School Mills	
	Foundation Program (Mills)	Deficiency[a] (Mills)	Other[b] (Mills)	Total (Mills)	Permissive (Mills)	Voted (Mills)	Total (Mills)	Other (Mills)	Grand Total (Mills)
Population Above 20,000									
Helena	40.00	7.88	3.23	51.11	34.15	35.16	69.31	30.81	151.23
Butte	40.00	6.98	1.90	48.88	26.12	24.52	50.64	26.08	125.60
Great Falls	40.00	8.50	2.12	51.15	32.17	15.14	47.31	26.33	124.79
Missoula	40.00	7.95	2.90	50.85	30.00	21.08	51.08	22.49	124.42
Billings	40.00	6.89	2.26	49.15	25.28	17.73	43.01	21.29	113.45
Average	40.00	7.64	2.58	50.22	29.54	22.73	52.27	25.41	127.90
Population 10,000-20,000									
Havre	40.00	7.49	3.45	50.94	32.66	20.76	53.42	32.71	137.07
Bozeman	40.00	7.07	3.59	50.66	29.64	27.37	57.01	26.90	134.57
Kalispell	40.00	8.08	3.27	51.35	30.99	8.33	39.32	18.74[3]	109.41
Anaconda	40.00	6.00	2.46	48.46	21.53	13.90	35.43	18.42	102.31
Average	40.00	7.16	3.19	50.35	28.70	17.59	46.29	24.20	120.84
Population 5,000-10,000									
Glendive	40.00	6.86	3.62	50.48	26.46	10.65	37.11	29.87[5]	117.46
Livingston	40.00	7.24	3.13	50.37	27.86	8.62	36.48	21.49	108.34
Miles City	40.00	7.74	3.25	50.99	29.47	2.55	32.02	18.88[1]	101.89
Lewistown	40.00	6.09	2.43	48.52	26.17	-----	26.17	15.91	90.60
Glasgow	40.00	6.69	3.61	50.30	9.04	12.76	21.80[11]	17.90	90.00
Average	40.00	6.92	3.21	50.13	23.79	6.92	30.71	20.82	101.66
Population 2,000-5,000									
Deer Lodge	40.00	6.06	1.28	47.34	29.55	21.29	50.84	33.75[16]	131.93
Shelby	40.00	3.36	2.00	45.36	21.62	34.61	56.23	23.37	124.96
Whitefish	40.00	8.08	3.27	51.35	39.25	2.02	41.27	32.31[4]	124.93
Libby	40.00	10.37	4.28	54.65	37.84	-----	37.84	32.10[17]	124.59
Wolf Point	40.00	6.41	2.93	49.34	25.53	9.77	35.30	33.48	118.12
Plentywood	40.00	5.25	4.18	49.43	32.42	10.13	42.55	25.61	117.59
Hamilton	40.00	9.76	3.82	53.58	30.63	-----[21]	30.63	31.53	115.74
Chinook	40.00	6.20	2.78	48.98	29.81	12.80	42.61	23.61	115.20
Laurel	40.00	6.89	2.26	49.15	29.60	6.31	35.91	26.29	111.35
Dillon	40.00	4.74	3.35	48.09	30.19	7.15	37.34	23.96	109.39
Sidney	40.00	5.74	3.86	49.60	27.53	8.87	36.40	16.71	102.71
Red Lodge	40.00	4.43	2.47	46.90	22.92	8.21	31.13	23.38	101.41
Columbia Falls	40.00	8.08	3.27	51.35	16.46	7.18	23.64	17.93	92.92
Malta	40.00	5.19	3.23	48.42	20.16[23]	10.34	30.50	9.77	88.69
Baker	31.22	-----	1.06	32.28	18.13	13.53	31.66	21.82	85.76
Conrad	40.00	4.47	2.45	46.92	18.40	6.80	25.20	11.87	83.99
Forsyth	40.00	4.56	2.40	46.96	18.17	5.74	23.91	12.25	83.12
Polson	40.00	7.74	3.79	51.53	16.42	3.26[24]	19.68	11.85	83.06
Roundup	40.00	4.17	1.81	45.98	18.64	-----	18.64	15.40	80.02
Cut Bank	40.00	5.87	2.43	48.30	16.46	7.77	24.23	6.44	78.97
Hardin	40.00	6.20	2.78	48.98	5.63	-----[28]	5.63	17.60	72.21
Browning	40.00	5.87	2.43	48.30	4.59	-----[30]	4.59	16.47	69.36
Average	39.60	5.41	2.82	48.31	23.18	7.99	31.17	21.25	100.73
Population 1,000-2,000									
Eureka	40.00	10.37	4.28	54.65	42.07	22.66	64.73	37.40[1]	156.78
East Helena	40.00	6.98	1.90	48.88	29.53	38.86	68.39	29.80	147.07
Ronan	40.00	7.74	3.79	51.53	39.75	-----[25]	39.75	49.22[26]	140.50
Belgrade	40.00	7.07	3.59	50.66	25.60	21.99	47.59	36.51	134.76
Columbus	40.00	5.47	3.89	49.36	22.26	18.95	41.21	44.19[31]	134.46
Superior	40.00	4.13	3.75	47.88	32.31	16.27	48.58	29.71	126.17
Walkerville	40.00	6.98	1.90	48.88	26.12	24.52	50.60	26.08	125.60
Poplar	40.00	6.41	2.93	49.34	22.98	22.76	45.74	27.53	122.61
Harlem	40.00	6.20	2.78	48.98	36.28	1.74[22]	38.02	33.96[23]	120.96
Philipsburg	40.00	5.91	1.71	47.62	28.34	-----	28.34	43.45[32]	119.41
Three Forks	40.00	7.07	3.59	50.66	18.70	7.07	25.77	40.82[2]	117.25
Harlowton	40.00	5.01	3.58	48.59	21.85	24.77	46.62	18.45	113.66
Scobey	40.00	5.81	3.87	49.68	23.30	9.67	32.97	26.73	109.38
Fort Benton	40.00	3.50	2.43	45.93	23.95	19.01	42.96	18.59	107.48
Circle	40.00	4.00	2.22	46.22	21.68	7.87	29.55	23.48	99.25
Big Timber	40.00	3.36	2.62	45.98	21.30	14.52	35.82	14.09	95.89
Chester	40.00	3.69	3.22	46.91	16.32	13.27	29.59	14.04	90.54
Boulder	40.00	5.00	3.20	48.20	20.30	9.47	29.77	11.20	89.17
Fairview	40.00	8.08	3.27	51.35	14.49	4.26	18.75	18.09	88.19
Choteau	40.00	4.51	2.65	47.16	16.55	4.49	21.04	19.03	87.23
Townsend	40.00	4.27	2.49	46.76	15.25	-----	15.25	19.77	81.78
Thompson Falls	40.00	4.87	2.50	47.37	16.79	5.04	21.83	10.46	79.66
White Sulpher Springs	40.00	3.71	1.57	45.28	16.12	3.02	19.14	12.84	77.26
Terry	40.00	2.37	3.01	45.38	10.83	-----	10.83	6.91	63.12
Average	40.00	5.52	2.95	48.47	23.44	12.09	35.54	25.51	109.51
Population 500-1,000									
Troy	40.00	10.37	4.28	54.65	39.47	15.25	54.72	41.37[18]	150.74
Nashua	40.00	6.69	3.61	50.30	26.31	32.24	58.55	26.43	135.28
Bridger	40.00	4.43	2.47	46.90	-----	-----	46.22	30.21	123.33
Culbertson	40.00	6.89	2.26	49.15	32.39	4.88	37.27	20.21	116.63
St. Ignatius	40.00	7.74	3.79	51.53	35.90	-----[27]	35.90	26.57	114.00
Fairfield	40.00	4.51	2.65	47.16	26.85	3.92	30.77	34.99	112.92
Manhattan	40.00	7.07	3.59	50.66	24.23	8.16	32.39	28.87	111.92
Hot Springs	40.00	4.87	2.50	47.37	23.27	3.16	26.43	29.78[34]	103.58
Sheridan	40.00	5.26	3.62	48.88	27.71	6.43	34.14	20.48	103.50
Stevensville	40.00	9.76	3.82	53.58	28.25	-----	28.25	20.65	102.48
Plains	40.00	4.87	2.50	47.37	24.82	-----	24.82	29.32	101.51
Hinsdale	40.00	6.69	3.61	50.30	14.80	-----	14.80	36.09[12]	101.19
Ennis	40.00	5.26	3.62	48.88	10.62	8.30	19.12	30.17	98.17
Whitehall	40.00	5.26	3.62	48.88	25.42	7.58	33.00	12.41	94.29
Twin Bridges	40.00	5.26	3.62	48.88	16.88	-----[35]	16.88	28.37	94.13
Cascade	40.00	8.50	2.12	51.15	16.52	.77	17.29	25.62	94.06
Sunburst	40.00	3.36	2.00	45.36	15.12	19.13	34.25	13.84	93.45
Valier	40.00	4.47	2.45	46.92	17.62	2.18	19.80	23.45	90.17
Belt	40.00	8.50	2.12	51.15	18.11	4.74	22.85	15.59	89.59
Big Sandy	40.00	3.50	2.43	45.93	12.72	5.96	18.68	19.60	84.21
Stanford	37.92	1.66	3.13	42.71	11.87	10.29	22.16	15.35	80.22
West Yellowstone	40.00	7.07	3.59	50.66	10.74	-----	10.74	16.99	78.39
Dutton	40.00	4.51	2.65	47.16	10.61	10.42	21.03	9.07	77.26
Jordan	40.00	4.22	2.06	46.28	9.00	-----	9.00	18.89	74.17
Drummond	40.00	5.91	1.71	47.62	15.24	-----	15.24	40.34	72.72
Ekalaka	40.00	3.47	2.17	45.64	11.74	2.29[37]	14.03	9.29	68.96
Lodge Grass	40.00	6.20	2.78	48.98	-----	-----[29]	-----	16.64	65.62
Wibaux	26.39	-----	2.11	28.50	9.74	12.78	22.52	6.94	57.96
Broadus	12.88	-----	1.10	13.98	14.31	-----	14.31	19.63	47.92
Average	38.52	5.39	2.83	46.78	18.94	5.66	25.35	23.35	94.43

TABLE 9.20--Continued

	County Wide Mill Levies				General Fund Levies			Total Public School Mills	
	Foundation Program (Mills)	Deficiency[a] (Mills)	Other[b] (Mills)	Total (Mills)	Permissive (Mills)	Voted (Mills)	Total (Mills)	Other (Mills)	Grand Total (Mills)
Population Below 500									
Alberton	40.00	4.13	3.75	47.88	37.98	70.33	108.31	41.52	195.71
Froid	40.00	6.41	2.93	49.34	31.63	25.05	56.68	34.72	140.74
Virginia City	40.00	5.26	3.62	48.88	12.45	51.33	63.78	22.01	134.67
Opheim	40.00	6.69	3.61	50.30	19.42	28.03	47.45	32.68[13]	130.43
Flaxville	40.00	5.81	3.87	49.68	23.69	22.97	46.66	31.64	127.98
Neihart	40.00	8.50	2.12	51.15	20.80	41.52	62.32	9.50	122.97
Moore	40.00	6.09	2.43	48.52	17.83	8.91	26.74	38.69[15]	113.95
Hingham	40.00	7.49	3.45	50.94	20.19	28.86	49.05	12.84	112.83
Medicine Lake	40.00	5.25	4.18	49.43	17.93	20.62	38.55	16.78	104.76
Clyde Park	40.00	7.24	3.13	50.37	27.08	-----	27.08	26.33[9]	103.78
Broadview	40.00	6.89	2.26	49.15	13.93	9.42	23.35	27.49	99.99
Bainville	40.00	6.41	2.93	49.34	18.38	18.08	36.46	11.34	97.14
Kevin	40.00	3.36	2.00	45.36	12.73	21.98	34.71	17.04	97.11
Hysham	40.00	4.43	2.51	46.94	18.96	-----	18.96	30.89	96.79
Joliet	40.00	4.43	2.47	46.90	28.67	-----	28.67	20.76	96.33
Denton	40.00	6.09	2.43	48.42	16.85	8.11	24.96	21.55	94.93
Richey	40.00	6.86	3.62	50.48	15.98	-----[6, 7]	15.98	28.25[8]	94.71
Darby	40.00	9.76	3.82	53.58	16.99	-----	16.99	23.56	94.13
Saco	40.00	5.19	3.23	48.42	13.66	7.65	21.31	23.65	93.38
Lima	40.00	4.74	3.35	48.09	22.17	1.19	23.36	20.15	91.60
Hobson	37.92	1.66	3.13	42.71	13.03	4.84[36]	17.87	30.39	90.97
Grass Range	40.00	6.09	2.43	48.52	24.72[14]	-----[14]	24.72	17.69	90.93
Westby	40.00	5.25	4.18	49.43	11.11	9.29	20.40	20.48	90.31
Fromberg	40.00	4.43	2.47	46.90	27.49	5.02	32.51	10.02	89.43
Melstone	40.00	4.56	2.40	46.96	9.75	9.98	19.73	21.51	88.20
Winifred	40.00	6.09	2.43	48.52	21.75	-----	21.75	15.69	85.96
Judith Gap	40.00	5.01	3.58	48.59	18.03	3.17[33]	21.20	14.59	84.38
Ismay	40.00	7.74	3.25	50.99	8.94	1.13	10.07	21.96[10]	83.02
Outlook	40.00	5.25	4.18	49.43	13.12	1.02[20]	14.14	19.13	82.70
Geraldine	40.00	3.50	2.43	45.93	9.96	6.81	16.77	19.12	81.82
Brockton	40.00	6.41	2.93	49.34	-----[19]	-----[19]	-----	28.75	78.09
Dodson	40.00	5.19	3.23	48.42	10.35	-----	10.35	10.41	69.18
Bearcreek	40.00	4.43	2.47	46.90	5.72	8.10	13.82	2.97	63.69
Winnett	35.61	1.64	3.46	40.71	12.02	2.05	14.07	7.57	62.35
Ryegate	34.20	2.03	3.02	39.25	12.97	-----	12.97	10.12	62.34
Lavina	34.20	2.03	3.02	39.25	10.28	5.20	15.48	2.50	57.23
Plevna	31.22	----	1.06	32.28	14.52	4.93	19.45	4.97	56.70
Average	38.19	5.20	3.01	47.49	17.06	11.50	28.56	20.25	96.25
Average All	39.47	6.18	2.94	48.82	23.52	12.07	35.70	22.97	107.33

Source: We are indebted to the Montana Taxpayer's Association for the data in this table and the information comprising the discussion of the table.

1. Voted levy of $14,000. Cash offset of voted and part of permissive levies.

2. Three Forks bond and sinking equals 34.22 mills.

3. Includes 4.71 mills for community college.

4. Bonds--18.82 mills.

5. Includes 9.62 mills for junior college.

6. Cash offsets high school voted levy of $4,376.

7. Cash offsets elementary voted levy of $8,884.

8. Bonds--21.88 mills.

9. Bonds--16.51 mills.

10. County-wide bonds--7.96 mills. Includes 3.00 mills for junior college.

11. Cash in elementary to offset $134,341 permissive levy and $173,933 voted levy.

12. Bonds--27.23 mills.

13. Bonds--20.94 mills.

14. Tuition offsets voted levy of $2,996.

15. 33.66 mills for bonds.

16. Bonds--19.71 mills.

17. Bonds--20.84 mills.

18. Bonds--22.62 mills.

19. Cash offsets of elementary permissive of $15,324, elementary voted levy of $32,432, cash offsets of permissive high school levy of $11,445, and voted levy of $2,875.

20. Cash offsets of voted levy of $10,749.

21. Cash offsets of voted levy of $25,647 of elementary.

22. Cash offsets of voted levy of $9,660.

23. Cash offsets of voted levy of $11,500.

24. Cash offsets of elementary voted levy of $11,558.

25. Cash offsets of high school voted levy of $13,322. Cash offsets elementary of voted levy of $17,531.

26. Includes 26.58 mills for bonds.

27. Cash offsets of high school voted levy of $5,157. Cash offsets of elementary voted levy of $4,848.

28. Cash offsets of permissive of $140,099 and voted levy of $63,645.

29. Cash offsets of high school permissive levy $24,452 and voted levy $19,920. Cash offsets of elementary permissive levy $41,524 and voted levy $21,992.

30. Cash offsets of high school voted levy of $107,912 and part of permissive levy. Cash offsets of elementary voted levy of $207,311 and part of permissive levy.

31. Includes 36.72 mills for bonds.

32. Includes 31.74 mills for bonds.

33. Cash offsets of elementary voted levy of $4,400.

34. Cash offsets of elementary voted levy of $13,420.

35. Cash offsets of high school voted levy of $21,000.

36. Cash offsets of elementary voted levy of $9,497.

37. Cash offsets of elementary voted levy of $4,038.

[a] County-wide deficiency levies.

[b] Primarily high school teacher's retirement and high school transportation levies.

actual dollars voted. Federal funds, cash balances from previous years, and other revenue serve to reduce levies below that actually voted.

If the objective of the foundation program has been to establish uniform mill levies for support of public schools, it is clear from this analysis that the objective has not been accomplished. There are many ways in which the foundation program could be changed to establish such unformity. It is clear that because of certain provisions of the foundation program and the mechanics of funding it, property tax burdens for support of public schools have not been equalized. Furthermore, the lack of state funding results in an escalation of property tax rates in addition to widening the property tax burden for support of schools among the counties and communities.

Special Topics Concerning Montana's Property Tax

With the general knowledge about Montana's property tax provided above, we now turn to some specific problems and issues of property taxation. This section concerns three main topics: (1) property tax rate (mill) limits, (2) assessment procedures and problems, and (3) differential assessment of farmlands. Our aim is to develop these topics by providing material which will illuminate each topic more fully than it is now.

Property Tax Limits

Montana and most state governments outside New England impose constitutional or statutory limitations on the powers of local governments to levy taxes against property. The limitations typically specify the maximum allowable tax rate that can be levied on the taxable assessed (as opposed to actual market) value of property and take either of two forms, an overall limitation or a specific limitation. An overall limitation indicates "the maximum rate that may be levied by all taxing jurisdictions in the aggregate on the taxable assessed value of property within a given area," while a specific limitation can be defined as "the maximum rate that can be levied by each of a specified type of local government or that may be levied for each of a number of particular purposes."[8]

Considerable interstate variation in property tax limits exists within these broad categories. Although many states exclude levies to service and pay local government bonded indebtedness (as well as judgments) from rate limits, some states include such levies within their limits. Moreover, some states exclude interest and principal repayment levies for only some types of governments. Most states also provide means for exceeding certain overall and specific rate limitations by local election. School levies above limitations are common throughout the United States: local citizens often vote for higher school levies, and in some states the law actually requires county-wide levies above those originally fixed in their constitutions or statutes.

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[8] Advisory Commission on Intergovernmental Relations, State Constitutional and Statutory Restrictions on Local Taxing Powers (Washington, D.C.: Government Printing Office, 1962), pp. 27-28.

Montana property tax rate limitations are similar to those that exist in the majority of states. Montana imposes limits on the millage rates that can be levied for specific purposes by state, county, and municipal government, as well as the rates levied by various special districts. Table 9.21 reports the fifty-seven specific rate limits for particular functions of Montana state and local governments in 1970, with the exception of the rate limits for school purposes which are discussed elsewhere in this report.

Some of the property tax rate limits reported in Table 9.21 have existed unchanged for many years.[9] However, a large number of the limits have recently changed and are also of relatively recent origin. For example, the 1969 Montana Legislature increased the rate limits on property taxes imposed for general fund purposes from 20 to 24 mills for cities and towns and from 20 to 22 and 24 mills for counties, with no change in the state general fund limit of 2 mills. In addition, the 1969 Legislature enacted legislation that permitted the creation of "Conservancy Districts" for the conservation and development of the water and land resources of Montana, the elected directors of which cannot levy millage rates exceeding 2 mills to meet general obligations or 3 mills to pay bonded indebtedness. The creation of new limits and changes in old limits are common activities for successive Montana Legislatures. In 1945 Montana property tax law included thirty-six rate limitations as opposed to the fifty-seven that exist in 1970. During the past quarter century, twenty-one new specific limits have been created and twenty-three changes have been made in the 1945 limits. Only thirteen of the fifty-seven limits presented in Table 9.21 existed with the same millage rates in 1945. Consequently, property tax rate limits in Montana must not be regarded as static.

Of course, the post-World War II history of property tax rate limits in Montana is not unique. Most states have introduced new limits and changed existing limits in recent years. Similarly, other states as well as Montana place limitations on property taxes for the bond sinking and interest funds of special districts and state government, but not on county, city and town property tax levies to service and pay their respective bonded indebtedness. Moreover, the recent creation of the more inclusive "all-purpose" city and town levy and "consolidated county and city government" levy parallels legislative action in other states.

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[9] Montana Taxpayers' Association, Property Tax Laws of Montana (Helena: Montana Taxpayers' Association pamphlet, November 1945), and subsequent biennial issues provide evidence supporting this statement and succeeding ones below.

TABLE 9.21

Specific Function Property Tax Rate Limits For Montana State
And Local Governments, 1970

Specific Function Tax		Limit (mills)
State Taxes		
General Fund		2
University Millage Fund		6
University Bonds		1
Hospital Bonds of 1955		1/2
Training School Bonds of 1955		1/2
Special Livestock Taxes, Total		4
(a) Support of Livestock Commission		
Sheep	1	
All Livestock Except Sheep	1-1/2	
(b) Livestock Bounty Fund		
Sheep	1-1/2	
All Livestock Except Sheep	1	
(c) Livestock Sanitary Fund	1-1/2	
City and Town Taxes		
General Fund		24 + 5, 15
(a) Support of General Municipal and Administrative Services	24	
(b) Additional Voted Levy for General Purposes	5	
(c) Support of General Services in Cities Which Have Exceeded Limit of Indebtedness	15	
All-Purpose		60[1]
Streets and Alleys		12
Park and Playground		7
Band and Recreation		1
City Free Library		4-1/2
Volunteer Fire Department		2
Airport		2
Fireman's Disability		1-4
Police Reserve		1
City Bus Line		1-1/2
Zoning Commission		1
Board of Health		1

Specific Function Tax		Limit (mills)
County Taxes		
General Fund		24,22
(a) Counties of the Fourth, Fifth, Sixth and Seventh Classes	24	
(b) Counties of the First, Second, and Third Classes	22	
Poor Fund		17
Road		12[2]
Emergency		2
Bridge		3,4,5
(a) Basic County Limit	3	
(b) Where All Bridges Exceed 4,000 Feet in Length and Taxable Value of County is $4,000,000 or Less	4	
(c) Where All Bridges Exceed 6,000 Feet in Length and Taxable Value of County Exceeds $4,000,000 but Less Than $12,000,000	5	
Additional Tax for Road and Bridge Construction		10[3]
Special Bridge Tax		5
Airport		2
Public Ferry		2
Library		3[4]
Classification and Appraisal		1
Rodent Control		2[5]
Weed Control		2[6]
Insect Pest		1
Board of Health		1
Museum		1/2
Civic Center		1
Consolidated County and City Government		40
Special District Taxes		
Soil Conservation		1-1/2 + 3
(a) Regular Assessment	1-1/2	
(b) Special Assessment	3	
Conservancy		2 + 3
(a) Assessment for Obligations not Financed by Fees, Charges, etc.	2	
(b) Assessment for Bonded Indebtedness	3	
Cemetary		2
Garbage and Ash Collection		2
Mosquito Control		5
Planning and Zoning Commissions		1
Public Hospital		3
Livestock Protection		25¢/head
Metropolitan Sanitary and Storm Sewer System District Reserve Funds		2

Source: Property Tax Laws of Montana With Amendments of 1969 Legislature, Montana Taxpayers' Association, (Helena, Montana: Montana Taxpayers' Association Pamphlet), pp. 7-23.

1. Excludes levies necessary to service bonded indebtedness and judgments.

2. Applies to all taxable property in county except within corporate limits of city and towns, which by ordinance may provide like taxes for street and alley purposes.

3. Additional levy must be authorized by majority of votes cast at special election where question is submitted to voters.

4. Applies to all taxable property in county, but city and town councils may withdraw property within corporate limits. City and town property then becomes exempt from county tax but cities can levy 4.5 mills for city libraries.

5. County commissioners may appropriate $10,000 from the general fund and/or levy a tax of 2 mills on the taxable valuation of all agricultural, horticultural, grazing and timbered lands, and their improvements.

6. County Commissioners may appropriate money from general fund or they may levy a tax up to 2 mills to pay for the control of weeds on highways and county-owned land, as well as to pay for one-third of the cost of extermination on private lands.

All these developments help explain why property tax rate limitations in Montana and elsewhere in the United States have not substantially restricted the growth of property tax revenue and, therefore, reduced the importance of the property tax in state and local government finance since World War II. In fact, only in the depression decade of the 1930s did a strong association exist between the stringency of property tax limitations and the growth of property tax revenues. The evidence available for the post-World War II period reveals almost no relationship between the restrictiveness of state property tax rate limits and the growth of per capita property tax revenue.

These facts become apparent when states are grouped according to the stringency of their property tax limit laws and the average state experience in each group is determined. Table 9.22 reports the average percentage changes in per capita property tax revenue for four property tax limit groups over four time periods since 1932. The forty-eight states for which historical data are available (i.e., excluding Alaska and Hawaii) have been arranged into the four groups as follows:

I. The seven states with no property tax limitation;

II. The twenty states with specific limitations that affect only certain types of local government, which allow considerable flexibility in the application of the limitations, or which provide relatively high maximum rates;

III. The twelve states with specific limitations applicable to all or to most of their local governments, allowing for little flexibility, or providing relatively low maximum rates; and

IV. The nine states with overall limitation.[10]

Between 1932 and 1941, more than 75 percent of the states experienced declines in per capita state and local property tax collections, and the average state had a decrease slightly more than 12 percent. Amazingly, however, five of the seven no-limit states had increases in per capita property tax revenues, and the other two states found their per capita property taxes decreasing very little. Consequently, states in the no-limit group experienced an average per capita increase in property tax revenue of 7.3 percent. In the three groups with property tax rate limits, though, states experienced declines in per capita property tax revenue. Moreover, these declines varied directly with the stringency of the tax limit laws for each group. States in Group II had per capita property tax collections decrease by an average of 10 percent

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[10] These groups are the same as those adopted in a report on state restrictions of local taxing powers for the Advisory Commission on Intergovernmental Relations, pp. 53-55 and Appendix B.

TABLE 9.22

Trends in Montana State and Local Per Capita Property Tax Collections, By Stringency of Limitation Groups 1932 to 1967[1]

Group[2]	No. of States	Average Percent Change in Per Capita General Property Taxes 1932-41	1942-57	1957-62	1962-67
U.S.[3]	48	-12.1	127.5	34.8	29.9
I[4]	7	7.3	113.1	38.7	23.9
II[5]	20	-10.0	119.4	34.4	28.5
III[6]	12	-16.1	156.9	32.8	32.4
IV[7]	9	-26.6	117.8	35.6	34.2

1. Average percent changes calculated from per capita total state-local general property tax collections data presented in three sources: a) 1932-41: Advisory Commission on Intergovernmental Relations, State Constitutional and Statutory Restrictions on Local Taxing Powers, Appendix B (Washington, D.C.: U.S. Government Printing Office, 1962); b) 1942-57: "Historical Statistics on Government Finances and Employment, "Census of Governments, 1962, Vol. 6, No. 4, Table 17 (U.S. Dept. of Commerce, Bureau of the Census, 1964) pp. 56-107; c) 1957-62 and 1962-67: "Historical Statistics on Government Finances and Employment, "Census of Governments, 1967, Vol. 6, No. 5, Table 18 (U.S. Dept. of Commerce, Bureau of the Census, 1968), pp. 63-114.

2. See text for explanation of grouping, and see Advisory Commission on Intergovernmental Relations, op. cit., Appendix B for list of states in each group.

3. Excludes Alaska and Hawaii, for which historical data are not available. Also excludes District of Columbia.

4. Includes Connecticut, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, and Vermont.

5. Includes Arizona, California, Colorado, Delaware, Florida, Idaho, Illinois, Kansas, Minnesota, Montana, New York, North Carolina, North Dakota, Oregon, Pennsylvania, South Carolina, Tennessee, Utah, Virginia, and Wisconsin.

6. Includes Alabama, Arkansas, Georgia, Iowa, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, South Dakota, Texas, and Wyoming.

7. Includes Indiana, Michigan, Nevada, New Mexico, Ohio, Oklahoma, Rhode Island, Washington, and West Virginia.

whereas Groups III and IV had respective average decreases of 16.1 and 26.6 percent.

In contrast, no similarly clear relationship exists between changes in per capita property tax revenue and the stringency of property tax limitation laws after World War II. Between 1942 and 1957, the average increase for the overall-limit states (Group IV) barely exceeded the increase in the no-limit states (Group I). Actually, an inverse relationship exists between property tax increases and the restrictiveness of property tax limits for Groups I, II, and III over 1942-57. Moreover, an inverse relationship also exists for the period 1962-67 for all groups. The percentage property tax increases were greatest in the states with the most stringent property tax rate limits. Only for 1957-62 did a direct relationship exist, though even then the overall-limit states (Group IV) experienced an average increase of 35.6 percent, which exceeds the 34.4 and 32.8 percent increases of the less stringent Groups II and III, respectively. Consequently, the evidence reported in Table 9.22 refutes the hypothesis that property taxes increase least where state property tax rate limits are most stringent. Normal growth in the property tax base, increases in previously established property tax rate limits, creation of special districts (with their own rate limits) to supplement existing local governments, and voted levies above legal limits combine to explain why, in the aggregate and on the average, property tax limitation laws have neither substantially nor systematically restricted the growth of property tax revenue in the United States.

Of course, this generalization neglects the impact of tax limits on particular taxing jurisdictions. It does not deny the Advisory Commission on Intergovernmental Relations conclusion that tax limits have "impaired the ability of local officials to budget effectively where specific limitations apply to particular governmental functions." Moreover, available evidence suggests that this conclusion holds for Montana as well as other states. The reactions of Montana counties, cities, and towns to four recent changes in specific property tax rate limits demonstrate how limits have unquestionably restricted particular categories of local government expenditure, thereby, at least temporarily distorting, if not permanently damaging, local government performance.

(1) In fiscal 1967, thirty-one Montana counties levied property taxes for county road purposes at the 1967 limit of 10 mills.[11] The 1967 Montana Legislature increased the road levy limit from 10 to 12 mills, and in fiscal 1968, thirty-seven counties levied taxes at 10 or more mills. In fact, twenty-one counties immediately increased their levies to the new 12 mill limit. Furthermore, these increases were not temporary. During fiscal 1969 and 1970, thirty-eight counties levied taxes for road purposes at 10-plus mills, and twenty-six and twenty-seven counties taxed at the 12 mill limit in these years.

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[11] Montana Taxpayers' Association, Montana Property Tax Mill Levies, 1966-67 (Helena: Montana Taxpayers' Association publication), and subsequent issues provide the record reported here and below of recent mill levies of Montana local governments.

(2) A similar reaction occurred in fiscal 1970 after the 1969 Legislature increased the county general fund levy limit from 20 to 22 and 24 (for different class counties) mills. In fiscal 1969, eight Montana counties levied taxes at the 20 mill limit for general fund purposes, but fourteen counties taxed at 20-plus mills in fiscal 1970.

The reaction of Montana cities and towns to changes in property tax rate limits by the 1969 Legislature was slightly different, however. The number of cities and towns exceeding 1969 general fund and park and playground limits in fiscal 1969 actually declined in fiscal 1970. Higher limits did not necessarily mean higher levies, even where levies equaled previous limits.

(3) The 1969 Montana Legislature raised the basic, unvoted, general fund tax limit for cities and towns from 20 to 24 mills. During fiscal 1969, ninety-one cities and towns had 20-plus mill levies for general fund purposes, but only eighty-three exceeded 20 mills in fiscal 1970. Twenty-nine cities and towns had general fund levies of 24-plus mills in 1970.

(4) During fiscal 1969, fifty-one communities levied taxes at the 6 mill limit for park and playground purposes, but only forty-four taxed at 6 or more mills in 1970 after the limit had been increased to 7 mills. However, sixteen cities and towns did increase their levies to the 7 mill limit in fiscal 1970.

On the basis of this evidence, it seems clear that Montana property tax rate limits have restricted the expenditures of some, though not all, local governments. Of course, the degree of restriction and its significance have varied widely among particular governmental functions and among local government units. Although the existence of limitation laws may have had an impact on budget determination for governments that have not taxed at their respective legal limits, there is no objective evidence to support this view. In contrast, where taxes have been levied only occasionally at their limits, temporary postponements of some local programs, together with some changes in expenditure plans and priorities, have undoubtedly been the principal results of Montana tax limitation laws. Short-term postponements typically reduce the net benefits of any expenditure program but not by very much since opportunities are rarely permanently foregone by postponement. However, where taxes have been levied at legal limits for two or more successive years and where taxes have been increased to new maximums when limits were increased, there is presumptive evidence of continuous postponement of some local programs judged desirable by local officials as well as other changes in local plans and priorities.

Farm and Rural Land Assessment

The differential assessment of farm and rural lands is of much interest to a number of people in the state. It is of interest to those directly and indirectly affected by such assessment practices. We address the question of differential farm and rural land assessment in Montana to provide factual and analytical material about key factors arising in discussions of assessment of farm lands.

Recognition of the existing inequality of assessing of all real estate in Montana led to the enactment of the 1957 Classification and Appraisal Act. The policy regarding farmland assessment was established by the Board of Equalization in cooperation with the county commissioners. The nature of the policy regarding farmland assessment is best illuminated by Howard H. Lord, Chairman, Montana State Board of Equalization.

> Under this act the Board of County Commissioners in each county, under the supervision of the State Board of Equalization, was given the duty to classify all taxable lands and appraise all city and town lots and rural and urban improvements. It should be noted that the law required that lands be classified according to adapted use and productivity rather than appraised according to dollar value, whereas other real estate was to be appraised in terms of dollar value. This distinction is explained by the fact that this wording avoided the very sharp political issue at the time of who was to determine the value for agricultural land.
>
> The act passed in 1957 required that the classification and grading be completed in 1962. Some counties did not complete the work by 1962 and no state-wide uniform schedule of values was attempted until 1963. Most of the grading was done before determining what dollar value would be attached to each grade or who would make the determination. This problem finally had to be met, but its postponement may have been politically expedient at the time and may have contributed to more realistic classification and grading than would have occurred had the dollar value of each class and grade of land been known initially.[12]

After lands were classified and assessed values were fixed for tax purposes, it was determined that although there were variations among classes and grades of land, the assessed values were on the average about 20 percent of market value. This ratio was due more to accident than to any specific design. For this study, we assume that 20 percent represents an arbitrary standard with which we can make comparisons.

The Board of Equalization has also instructed assessors to fix assessed values for urban residential, commercial, and industrial land at 40 percent of market value. In lieu of actual market values, appraised values are used at the best approximation to market value.

Technically, then, the assessed to market value ratio is 20 percent for farmland and 40 percent for urban land. According to the Classification Law both types of property fall into class 4. The Classification Law specifies that property in this class is taxable at 30

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12. Howard H. Lord, "Farm Land Assessment in Montana," presented at the 1967 Conference of Western States Association of Tax Administrators, Salt Lake City, Utah, September 7, 1967, p. 3.

percent of assessed value. Hence, the taxable value to market value ratio of farm land is 6 percent and the taxable value to market value ratio for urban land is 12 percent.

Table 9.23 presents evidence from the 1967 Census of Governments regarding the taxable value to market value ratio of farms and acreage, single-family residential property, and all locally assessed real property in seven counties and for the state as a whole. State-wide, the ratio of taxable value to market value of farmland was 6.6 percent in 1966, 10 percent above the arbitrary standard of 6.0 percent. The ratio of taxable value to assessed value of single-family dwellings was measured at 10.3 percent or 14 percent below the 12 percent target of the State Board of Equalization. The state-wide ratio of taxable value to assessed value for all locally assessed property was 8.7 percent in 1966. The farmland taxable to market value ratio was 64.0 percent of the ratio for single-family dwellings and 75.8 percent of the ratio for all locally assessed real property in 1966.

Table 9.23 also contains taxable to market ratios for farmland, residential dwellings, and all locally assessed real property in seven counties. The taxable to market ratios in the counties were indexed to the arbitrary standard on farmland and State Board of Equalization target ratios for residential and industrial property. The wide disparities among counties in assessment are apparent from Table 9.23. The taxable to market ratio of farmland in Cascade County is only 58 percent of the standard ratio of 6.0 percent and even further below the state average ratio. On the other hand, the taxable to market ratio in Lewis and Clark County is 50 percent above the standard ratio of 6.0 percent. The taxable to market ratio in Lewis and Clark County is 157 percent higher than the ratio in Cascade County.

The intracounty disparities are wide also. The arbitrary standard ratio of 6.0 percent would suggest that the taxable to market ratio of farmland should be 50.0 percent of the ratio on single-family dwellings. However, in Cascade County the farm taxable to market ratio is only 33.0 percent of the single-family dwelling ratio. In Lewis and Clark County, the farm taxable to market ratio is 90.9 percent of the single-family dwelling ratio.

The taxable to market ratios among counties on single-family dwellings is also highly variable. For example, the ratio in Missoula County is 45.6 percent higher than the ratio in Glacier County. The ratio in Glacier County is only 67 percent of the State Board target ratio of 12 percent.

It appears that the assessment process is underassessing single-family dwellings if the target of the State Board of Equalization is used as the criteria. However, it is clear that in spite of the wide variations, the taxable to market ratio of farmland is below the taxable to market ratio of single-family dwellings but not by as much as the arbitrary standard ratio would suggest.

TABLE 9.23

Montana Taxable To Market Value Ratios Based on Measurable Sales During a Six-Month Period by Type of Property and by County, 1966

County	Taxable To Market Value Ratios					Farm Ratios As Percent of Ratios	
	Farms & Acreage (Percent)	Index	Single-Family Dwellings (Percent)	Index	All Uses (Percent)	Single-Family Dwellings (Percent)	All Uses (Percent)
Cascade	3.5	58	10.6	88	8.2	33.0	42.7
Glacier	7.0	117	8.1	67	7.3	86.4	95.9
Hill	5.4	90	9.5	79	9.6	56.8	56.3
Lewis & Clark	9.0	150	9.9	82	9.8	90.9	91.8
Missoula	6.8	113	11.8	98	11.0	57.2	61.3
Valley	5.9	98	9.7	81	7.9	60.8	74.7
Yellowstone	6.3	105	9.9	82	9.5	63.6	66.3
State	6.6	110	10.3	86	8.7	64.0	75.8
State Board Target Ratio	6.0	100	12.0	100	(?)	50.0	

Source: "Taxable Property Values," Census of Governments, 1967, Vol. 2, Table 9 (U. S. Dept. of Commerce, Bureau of the Census, 1968), p. 45 and unpublished Census estimates for Montana counties.

Judgments about the adequacy of the assessments of farmland cannot be made explicitly because the arbitrary standard is not a target to be sought but rather a result of the farmland assessment process. Because of the nature of farmland assessment, the only criteria for judging uniformity of assessments is through comparisons of actual yield histories with graded yields.

The lower taxable to market value ratios for farm real property demonstrate that Montana farmland is differentially assessed. This practice has reduced the size of Montana's property tax base. In turn, given the level of expenditures to be financed by the property tax, the smaller tax base has meant higher millage rates than would have been required with uniform assessment of all taxable property. Of course, the higher mill levies are generally applicable to all taxable property. Consequently, the effective property tax rates (tax revenue divided by market value) on rural farmlands are more than 50 percent of what they would be with uniform 40 percent assessment of all taxable property.

Table 9.24 reports evidence that effective tax rates on Montana farms and acreage are generally lower than the effective tax rates on single-family dwellings and other property. Note especially that the lowest city or town effective tax rates are significantly greater than the effective tax rate on farms and acreage when the total mill levy includes the mean rural school district levy for education. Of course, rural effective tax rates are the product of lower taxable market value ratios and typically lower total mill levies.

Effects on Land Values of Differential Farmland Assessment. Consistent and persistent differences in tax treatment change the structure and pattern of demands for various classes of property. Other things the same, investors are attracted to properties with low effective tax rates and repelled by properties subject to high tax rates. As always, differential tax treatment--here, low taxable market value ratios for rural land--means: (1) increases in the value of favorably taxed properties, (2) decreases in the value of relatively unfavorably taxed properties, and (3) changes in the earnings received by the owners of the most specialized and least mobile resources. In this case, differential assessment and consequent lower taxes on Montana rural land would attract investors who bid up its price, and higher mill levies would depress the demands for and prices of other Montana taxable property. This would result in lower prices for land located in Montana's urban areas as well as reduced earnings of resources specialized in Montana's nonagricultural export industries.

Such reasoning immediately suggests the following questions. How much lower would Montana rural land values and mill rates be with no change in the yield of the property tax or the level of government expenditures and if urban and rural land and improvements were assessed equally at 40 percent of market value? Similarly, how much higher would Montana urban land values be with this change in assessment practice? Although precise answers to these questions cannot be given, our analysis indicates that uniform assessment in 1966 would have reduced rural land

TABLE 9.24

Estimated Effective Property Tax Rates for Selected Montana Cities, Towns, and Rural School Districts in 1966[1]

County	City, Town, or Rural School District	Total Mill Levy	Effective Property Tax Rate: Farms and Acreage	Effective Property Tax Rate: Single-Family Dwellings	Effective Property Tax Rate: All Uses
Cascade	Belt	207.37	----	2.20	1.70
	Cascade	185.82	----	1.97	1.52
	Great Falls	197.96	----	2.10	1.62
	Neihart	158.40	----	1.68	1.30
	School District 5	178.53	0.62	----	1.46
	School District 23	150.74	0.52	----	1.24
	Mean	151.54	0.53	----	1.24
Glacier	Browning	177.64	----	1.44	1.30
	Cut Bank	169.90	----	1.38	1.24
	School District 58	125.43	0.88	----	0.92
	School District 50	103.01	0.72	----	0.75
	Mean	114.55	0.80	----	0.84
Hill	Havre	211.11	----	2.01	2.03
	Hingham	165.55	----	1.57	1.59
	School District 26	177.79	0.96	----	1.71
	School District 24	148.51	0.80	----	1.43
	Mean	142.37	0.77	----	1.37
Lewis and Clark	Helena	195.77	----	1.94	1.92
	East Helena	199.04	----	1.97	1.95
	School District 13	105.47	.94	----	1.03
	School District 27	114.08	1.03	----	1.12
	Mean	133.04	1.20	----	1.30
Missoula	Missoula	195.15	----	2.31	2.16
	School District 2J	203.80	1.39	----	2.24
	School District 30	123.64	0.84	----	1.36
	Mean	147.65	1.00	----	1.62
Valley	Glasgow	150.62	----	1.46	1.19
	Hinsdale	145.69	----	1.41	1.15
	Ophein	191.41	----	1.86	1.51
	Nashua	214.01	----	2.08	1.69
	School District 13A	137.93	0.81	----	1.09
	School District 24	97.38	0.57	----	0.77
	Mean	115.01	0.68	----	0.91
Yellowstone	Billings	------	----	----	----
	School District 2	161.50	----	1.60	1.53
	School District 2B	152.66	----	1.50	1.45
	School District 2C	150.19	----	1.49	1.43
	Broadview	165.85	----	1.64	1.58
	Laurel	175.64	----	1.74	1.67
	School District 41	130.68	0.82	----	1.24
	School District 19	93.91	0.59	----	0.89
	Mean	110.45	0.70	----	1.05
State		------	0.82	----	1.40

Sources: Montana Property Tax Mill Levies, 1965-66, Montana Taxpayers' Association (Helena: Montana Taxpayers' Association).

Agricultural Finance Review, Vol. 30, Supplement, January 1970, Table 36 (U.S. Department of Agriculture, Economic Research Service), p. 58 and Table provide the statewide estimates.

1. Estimated effective property tax rates = (total mill levy). (Taxable to sale value ratio).

values by approximately 4 to 6 percent and average mill levies by 7 to 10 percent. However, given the 1966 interest rate of 6 percent and the state-wide average effective tax rate on urban real property of about 2 percent, the 7 to 10 percent reduction in average mill levies would have increased Montana urban land values by 1.5 to 2.5 percent.

Farmland fractional assessment. It is clear that the values of agricultural property for tax purposes are only a fraction of the market value of the property. Although this is true for other property as well, farmland assessment levels are, on the average, lowest of any of the major classes of property in the state. The rationale for differential assessment of agricultural land is illustrated somewhat by Dan Fulton, former chairman of the Montana State Board of Equalization, in the November 15, 1962, issue of the Montana Farmer-Stockman. The rationale is simply that assessed values based directly on sales would not be equitable values for taxation of agricultural lands "in our complicated, and, in some respects, topsy-turvey modern economy." In other words, the State Board of Equalization determined that for tax purposes on agricultural land only the physical wealth must be taxed and financing and equity interests that are tied to management and external market forces must be excluded from the agricultural land tax base. All so-called external influences, other than wealth derived from the value of physical agricultural production, are left out of the farmland tax base. We have attempted to document as carefully as possible, the external influences which have apparently been very pervasive in establishing tax policy with regard to agricultural land in Montana.

The external influences on agricultural land market values are many and complex. These influences constitute the reasons for the divergence between the value of the physical output of agricultural land and the market value of the land. In other words, the market value of farmland is growing more rapidly than the value of physical productivity of the land. Technically, this explains the difference between capitalized net farm income per acre and farmland market values per acre.

Table 9.25 shows the indexes of the value of farm real estate (land and buildings) per acre by types of land from 1950 to 1967. Since 1958 the value per acre of irrigated land in Montana increased 42 percent for an average annual growth rate of 4.0 percent per year. The value per acre of dry farmland increased 50 percent or at an annual rate of 4.6 percent from the 1957-59 average to 1967. The value per acre of grazing land increased 75 percent for an annual growth rate of 6.4 percent per year during the nine-year period.

Table 9.25 also shows total net farm income per farm in Montana from 1950 to 1967, and the index keyed to the 1957 to 1959 average. Total net income per farm increased 18 percent from the 1957-59 average to 1967 with an annual average growth rate of about 1.8 percent per year.

The simple average growth rates of the three types of farmland is 5.0 percent per year. Comparison of the annual growth rates in land market values and in realized net farm income shows that the annual

TABLE 9.25

Index of Average Value of Farm Real Estate Per Acre by Type of Land in Montana, Idaho, Wyoming, and Colorado from 1950 to 1967 and Realized Net Income Per Farm Index (1957-59 = 100)

	Montana			Idaho			Wyoming			Montana	
Year	Irrigated Land	Dry Farmland	Grazing Land	Irrigated Land	Dry Farmland	Grazing Land	Irrigated Land	Dry Farmland	Grazing Land	Total Net Farm Income Per Farm[1]	Index of Net Income Per Farm
1950	70	56	54	69	66	58	76	73	64	6,153	117
1951	84	68	67	80	79	67	85	87	77	6,630	126
1952	95	75	74	85	83	74	89	91	86	5,226	99
1953	94	78	76	90	84	74	88	91	86	5,539	105
1954	92	79	72	88	83	73	86	86	82	4,716	90
1955	90	82	75	92	87	76	89	90	80	5,335	101
1956	93	89	83	97	92	80	91	90	84	4,959	94
1957	98	93	89	96	95	90	93	95	90	5,309	101
1958	99	99	99	98	99	103	100	98	99	6,677	127
1959	103	108	111	106	106	107	107	107	111	4,319	82
1960	108	112	121	111	108	110	114	110	113	4,714	90
1961	108	112	125	110	107	115	117	113	122	2,798	53
1962	114	123	131	114	115	116	122	118	127	7,947	151
1963	119	127	135	116	117	125	123	119	134	6,300	120
1964	122	130	143	120	118	131	125	122	136	4,923	94
1965	126	134	151	124	119	136	128	124	142	6,258	119
1966	134	144	164	130	127	144	132	130	150	7,834	149
1967	142	150	175	140	132	148	140	143	157	6,226	118

Sources: "Farm Real Estate Market Developments," CD-70, Table 24, (U.S. Dept. of Agriculture, Economic Research Service, (April 1968), pp. 40-41.

"Farm Income-State Estimates, 1949-68," July 1969 Farm Income Situation, Supplement, August 1969, Table 5 (U.S. Dept. of Agriculture, Economic Research Service), pp. 10-11.

[1] Total net income per farm is gross cash receipts from farm marketings plus government payment, value of home consumption, and gross rental value of farm dwellings minus total current operating expenses (labor, fertilizer, feed, seed, livestock purchases, and repairs of capital items), depreciation taxes on farm property, interest on mortgage debt and land rental expense plus net change in farm inventories.

growth in farmland market values exceeded the annual growth in total net income per farm by about 3.2 percentage points. The annual growth in the market value of farmland is 2.8 times higher than the annual growth in net income per farm.

Of course, such short-term comparisons are tenuous, to say the least, but it should be clear from Table 9.25 that total net income per farm in Montana has not grown much and has been highly unstable since 1950. On the other hand, the upward pressure on farmland prices is clear.

Conventional theory of land valuations suggests that if the net income from land rises, the value of the land will rise, other things equal. However, farmland values have been rising without attendant rises in the net earnings from farm land. This phenomenon cannot theoretically occur without a reduction in the rate at which land earnings are capitalized. A recent study of rates of return on eighty-five representative cattle ranches indicates that the average rate of return at which grazing land earnings are being capitalized is 2 percent.[13] This reduction in the expected rate of return on grazing land over time has occurred because market forces have pushed land values up more rapidly than net earnings. It is clear that there are significant external market forces operating to force land prices up and beyond a level where a competitive annual rate of return can be earned by using the land for agricultural purposes. Prices for farmland have reached a point where farmers and ranchers cannot depend solely on income from farming and ranching operations and still compete effectively for available land to expand their operations to take advantage of technology. The reasons for this market push on land prices without an attendant increase in the net earning farmland are many and complex but they center on the fact that the amount of land is for all practical purposes fixed.

Among the factors contributing to the recent price trends in agricultural land are population growth, nonfarm uses of land, hedge against inflation, farm and ranch consolidation, tax advantages, subsidies, and cultural factors.

Although Montana's population is not growing very rapidly (hardly at all between 1960 and 1970), everyone is aware of the relation between land space and the long-term population situation in the United States. Land area is required for the development of cities, highways, reservoirs, and parks. These factors are imposing significant psycholigical influences on land markets without reference to immediate local conditions. There is a continual movement of private land into public domain. Public uses of land will continue to grow as population grows.

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13. Walter F. Willmette and Robert W. Ford, "Range Land and Cattle Ranch Appraisal, Course V," presented to the American Institute of Real Estate Appraisers, Granby, Colorado, June 3-10, 1967.

During periods of inflation, the price of land rises primarily because the supply of land is fixed. Investors have considered land one of the more stable investments available over the long run.

In spite of the growing interest of nonfarm people in agricultural land, one of the principal purchasers of agricultural land is farm people who wish to expand existing operations to take advantage of the technology which allows more efficient per acre operations. Consolidation allows substantial spreading of fixed costs over existing and purchased land if new technology, justified by larger units, significantly reduces per acre costs of operation. Also, original units purchased at low prices or inherited allow payment of higher prices for additional land so the total unit price per acre is still within reason in terms of the annual rate of return expected from farming and ranching.

Heretofore, investments in farms and ranches by high salaried business executives and large business firms have been stimulated by federal income tax laws. Farm losses placed against nonfarm business and personal income have augmented the demand for farmland. Recent federal legislation disallowing such losses may serve to reduce this practice. Also, accumulation of values (capital gains) on land have been treated as delayed income by owners of farms and ranches. The tax system, however, taxes the capital gain when the land is sold at a much higher rate than if the capital gain had been taxed annually as the capital gain accumulated at the owner's personal income tax rate. Consequently, there is a tax induced restriction on the supply of land which also serves to push prices upward.

Government price support programs have both increased farm income and added a degree of stability to farm income that it would not otherwise have. Consequently, the annual rate of return required to induce new investments and maintain old investments in farmland has been reduced.

There are significant cultural factors which result in upward pressure on land values. People want to own land even if it is not profitable. Tangibility of land appears to be a significant factor in this desire to own land. Also, many farmers and ranchers persist in operating farms and ranches regardless of the monetary return (if they can afford to in an absolute sense) because farming and ranching is a "way of life."

The relation between annual net income and market values of farmland was obviously a major factor in the establishment of state property tax policy on farmland. The justification seems to rest on the fact that taxes paid under uniform assessment (the same as residential, commercial and industrial property) would be too high in relation to annual net income of farmers and ranchers in Montana.

Montana wheat farmers cost-price squeeze. There has been a steady deterioration of farm product prices since 1948. For example, in 1948 winter wheat sold for $2.05 per bushel, spring wheat sold for $2.11 per bushel, and barley sold for $1.13 per bushel (see Table 9.26).

In 1967 winter wheat sold for $1.36 per bushel or 36 percentage points below the 1948 price. In 1968 winter wheat sold for about $1.15 per bushel or 46 percentage points below the 1948 price. From 1967 to 1968 the price of winter wheat dropped 10 percentage points.

In 1967 spring wheat sold for $1.49 per bushel or 29 percentage points below the 1948 price. In 1968 spring wheat sold for about $1.35 per bushel or 37 percentage points below the 1948 price. From 1967 to 1968 the price of spring wheat dropped 8 percentage points.

The price of barley was $.86 per bushel in 1967, 24 percentage points below the 1948 price. In 1968 barley sold for about $.82 per bushel or 27 percentage points below the 1948 price. From 1967 to 1968 the price of barley dropped 3 percentage points.

On the other hand, there has been a steady increase in farm prices paid for items used in the production of these products. The price of farm machinery in 1967 was 100 percentage points above the 1948 farm machinery price. During the last year, the price of farm machinery increased 5 percentage points. The price of motor vehicles (trucks and pickups) in 1967 was 75 percentage points above their cost in 1948. In 1968 the cost of motor vehicles was 89 percentage points above the 1948 cost and 14 percentage points above the 1967 cost. The interest per acre on farm real estate debt in 1968 was 706 percentage points above the interest per acre on farm real estate debt in 1948. Farm real estate taxes per acre in Montana increased 107 percentage points from 1948 to 1968. Wage rates paid to farm labor in 1968 were 69 percentage points above their 1948 level.

These changes in prices received and paid have put a tremendous downward pressure on net income per farm of farmers. During the past two decades, farm consolidation has been occurring at a rapid pace. From 1950 to 1967 the number of farm units in Montana declined from 37,200 to 27,600, a drop of 9,600 units. During the same period, the average size of farm in Montana increased by 684 acres per farm. This consolidation and increase in size of farm has resulted in increased efficiency and maintenance of net farm income. But in spite of the rapid consolidation and attendant increased efficiency, net farm income per farm has just held its own.

The concern for low annual rates of return in agriculture in designing farmland tax policy can be put more squarely into perspective by comparing rates of return on capital in agriculture with alternative investments. Table 9.27 shows the annual returns from earnings and from capital gains in agriculture and in the stock market from 1950 to 1967. The data show that Standard and Poor's 500 stocks averaged a total rate of return on capital, 5.0 percentage points more than the total rate of returns on capital in agriculture from 1950 to 1967. From 1950 to 1957, the total rate of return on capital in the stock market exceeded that in agriculture by 9.5 percentage points. However, during the last decade,

TABLE 9.26

Index of Montana Prices Received and Paid by Montana Farmers
1947-49, 1967, and 1968
Index (1947-49 = 100)

Crop	Prices Received By Montana Farmers 1947-49 (Percent)	Prices Received By Montana Farmers 1947-49 ($ / Bushel)	July 1967 (Percent)	July 1967 ($ / Bushel)	July 1968 (Percent)	July 1968 ($ / Bushel)	Percent Change One Year
Winter Wheat	100	$2.05	66	$1.36	56	$1.15	-10
Spring Wheat	100	2.11	71	1.49	63	1.35	- 8
Barley	100	1.13	76	.86	73	.82	- 3

Purchases	Index Prices Paid By Montana Farmers 1947-49	June 1967	June 1968	Percent Change One Year
Food and Tobacco	100	137	143	+ 6
Autos and Auto Supply	100	157	169	+12
Clothing and dry goods	100	142	152	+10
Building Materials	100	144	150	+ 6
Furniture and Furnishings	100	104	111	+ 7
Farm Machinery	100	200	205	+ 5
Motor Vehicles	100	175	189	+14
Motor Supplies	100	108	111	+ 3
Interest	100	806	806	----
Taxes	100	207	207	----
Wage Rates	100	160	169	+ 9
All Prices Paid	100	150	156	+ 6
All Prices Received	100	88	87	- 1
Grain Prices Received	100	68	60	- 8

Source: Montana Crop Reporting Service (United States Department of Agriculture, Statistical Report Service, and Montana Department of Agriculture, Agricultural Statistics).

TABLE 9.27

Annual Rates of Return and Capital Gains on Farm Real Estate and Common Stocks in the United States, 1950-67

	Farm Real Estate			Common Stocks		
Year	Annual Residual Return[1]	Annual Capital Gains Return[2]	Total Rate of Return	Annual Dividend Return[3]	Annual Capital Gains Return[4]	Total Rate of Return
1950	6.7	6.1	12.8	7.0	23.1	30.1
1951	7.0	12.9	19.9	6.2	14.5	20.7
1952	5.3	5.1	10.4	5.7	10.2	15.9
1953	3.1	- 1.2	1.9	5.9	- 2.1	3.8
1954	3.3	2.4	5.7	4.5	36.5	41.0
1955	2.2	4.8	7.0	4.1	34.4	38.5
1956	2.4	4.5	6.9	4.3	1.8	6.1
1957	2.6	5.4	8.0	4.7	-11.8	- 7.1
1958	4.6	6.2	10.8	3.4	30.1	33.5
1959	1.8	5.8	7.6	3.2	9.0	12.2
1960	2.9	1.8	4.7	3.5	- 3.1	0.4
1961	3.8	3.6	7.4	2.8	28.1	30.9
1962	4.0	5.2	9.2	3.5	-15.0	-11.5
1963	3.8	5.8	9.6	3.1	21.0	24.1
1964	3.0	6.3	9.3	3.0	17.7	20.7
1965	4.5	5.9	10.4	3.0	7.9	10.9
1966	4.7	8.3	13.0	3.7	-12.1	- 8.4
1967	3.3	6.4	9.7	3.2	14.4	17.6
Averages						
1950-67	3.5	5.3	8.8	3.5	10.3	13.8
1950-57	3.2	4.9	8.1	5.5	12.1	17.6
1958-67	3.6	5.5	9.1	3.1	8.7	11.8

Source: Bruce B. Johnson, "An Active Land Market in Perspective," Farm Real Estate Market Developments, CD-71, December 1968, Table 3 (U. S. Dept. of Agriculture, Economic Research Service), p. 33.

1. Annual residual return is that portion of total net farm income more or less arbitrarily allocated to pay the owner a return on equity capital divided by farm real estate market values as of November 1 each year.

2. Annual compound percentage change in November index of average value of farm real estate per acre.

3. Annual dividends of Standard and Poor's 500 common stocks divided by November market value.

4. Annual compound percentage change in November price index of 500 stocks.

the total rate of return on capital in the stock market averaged only 27 percentage points more than the total rate of return on capital in agriculture.

The essence of the state policy of taxing farmland, however, is that the annual net income rate of return in agriculture is low and that taxation should be based on that concept rather than on the total rate of return concept which includes income accruing due to external market forces in the form of capital gains. Under the current system then, the values (incomes) accruing through capital gains are not part of the property tax base.

One of the justifications for not including accrued capital gains in the farmland tax base is that the capital gains are never realized by the owners of farmland unless the land is sold. Capital gains in the form of increased land values cannot be captured by the owners of farmland until they sell the land. Thus, property taxation of such values would force reduction in the annual net income rate of return on farmland.

It should be noted that even though the rates of return on invested capital in agriculture compared reasonably well with rates of return in the stock market and probably better during the past several years, there is an additional complicating factor. The annual residual return in column 1 of Table 9.27 assumes a rather arbitrary allocation of total net farm income between payment to capital and payment to labor and management. According to our calculations, total net farm income was approximately equally divided between labor and capital.

Equal division of net farm income between labor and capital leaves labor and management with a payment of approximately $3,900 in 1967 in Montana. If the average farmer worked twenty-six days per month in 1967, he received $12.50 per day for his labor and management or about $1.56 per hour for an eight-hour day. In view of the fact, the average farmer and rancher in Montana manages assets in excess of $100,000, the $1.56 per hour rate of return for his labor and management is hardly comparable with managers of similar assets in the nonfarm sector.

The relevant point is that if net farm income is divided among capital and labor so that farmers and ranchers receive a comparable rate of return on capital as other uses for the capital, the rates of return for their labor and management will be low. Labor returns will be low even in terms of the labor returns of craftsmen and other trade occupations which do not carry the heavy management responsibilities of farmers and ranchers.

Interstate comparisons of farm property taxes. Understanding the market farmers work is important in determining farmland tax policy. But, also, comparisons of farmland taxation among the states can shed light on the question. Table 9.28 shows total real estate and personal property taxes in Montana and western states for selected years from 1950 to 1968.

TABLE 9.28

Total and Percent Distribution of Real Estate and Personal Property Taxes in Montana and Western States for Selected Years 1950 to 1968 and Percent Each Type is of Total

	1950	1955	1960	1965	1967	1968	1950	1955	1960	1965	1967	1968
	(Millions of Dollars)						(Percent)					
Montana												
Total	14.8	19.8	23.7	28.7	33.4	35.7	100	100	100	100	100	100
Real Estate	10.6	13.2	16.6	21.6	25.3	25.8	72	67	70	75	76	72
Personal	4.2	6.6	7.1	7.1	8.1	9.9	28	33	30	25	24	28
Colorado												
Total	16.7	21.4	28.3	33.8	38.0	40.6	100	100	100	100	100	100
Real Estate	12.1	16.8	21.4	25.1	28.0	29.9	72	79	76	74	74	74
Personal	4.6	4.6	6.9	8.7	10.0	10.7	28	21	24	26	26	26
Idaho												
Total	12.3	16.2	18.7	21.4	23.9	25.5	100	100	100	100	100	100
Real Estate	9.9	13.2	15.8	17.5	19.5	19.7	80	81	84	82	82	77
Personal	2.4	3.0	2.9	3.9	4.4	5.8	20	19	16	18	18	23
Nevada												
Total	1.7	2.3	2.5	3.1	3.4	3.6	100	100	100	100	100	100
Real Estate	1.0	1.4	1.9	2.5	2.7	2.7	59	61	76	81	79	75
Personal	0.7	0.9	0.6	0.6	0.7	0.9	41	39	24	19	21	25
North Dakota												
Total	21.0	26.7	34.4	40.3	43.1	46.1	100	100	100	100	100	100
Real Estate	17.0	20.1	25.7	31.8	33.3	35.0	81	75	75	79	77	76
Personal	4.0	6.6	8.7	8.5	9.8	11.1	19	25	25	21	23	24
Oregon												
Total	18.9	25.9	33.9	44.9	53.5	57.2	100	100	100	100	100	100
Real Estate	15.4	22.4	30.9	38.7	46.4	49.7	81	86	91	86	87	87
Personal	3.5	3.5	3.0	6.2	7.1	7.5	19	14	9	14	13	13
South Dakota												
Total	24.6	31.0	39.6	46.9	53.5	57.1	100	100	100	100	100	100
Real Estate	17.9	21.2	26.9	31.2	35.7	40.4	63	68	68	67	67	71
Personal	6.7	9.8	12.7	15.7	17.8	16.7	27	32	32	33	33	29
Utah												
Total	5.7	7.1	8.0	10.0	10.4	11.1	100	100	100	100	100	100
Real Estate	4.3	5.4	6.1	7.1	7.2	7.2	75	76	71	71	69	65
Personal	1.4	1.7	1.9	2.9	3.2	3.9	25	24	29	29	31	35
Washington												
Total	11.8	16.5	24.4	32.0	42.1	45.0	100	100	100	100	100	100
Real Estate	9.9	13.8	20.3	26.9	36.0	40.3	84	84	83	84	86	90
Personal	1.9	2.7	4.1	5.1	6.1	4.7	16	16	17	16	14	10
Wyoming												
Total	5.2	6.4	7.3	9.3	10.9	11.6	100	100	100	100	100	100
Real Estate	3.7	4.5	4.8	6.7	8.0	8.1	71	70	66	72	73	70
Personal	1.5	1.9	2.5	2.6	2.9	3.5	29	30	34	28	27	30

Sources: "Farm Real Estate Taxes Percent Trends and Developments" RET-9, Table 2 (U.S. Department of Agriculture, Economic Research Service, December 1969), p. 6.

Farm Income-State Estimates, 1949-68, A Supplement to the July 1969 *Farm Income Situation*, August 1969, Table 5 (U.S. Department of Agriculture, Economic Research Service), pp. 10-11.

In 1950 Montana agriculture paid a total of $14.8 million in property taxes. Real estate taxes were $10.6 million and farm personal property taxes were $4.2 million. By 1968 Montana agriculture paid $35.7 million in property taxes--$25.8 million on real estate and $9.9 million on personal property. Although the role of personal property taxes has changed from time-to-time, they made up 28 percent of the farm property tax bill in both 1950 and 1968 in Montana.

Washington and Oregon make the smallest relative use of personal property taxes in agriculture among the ten western states. In 1968 personal property taxes were only 10 percent of the total farm property taxes in Washington and 13 percent of the total farm property taxes in Oregon.

Table 9.29 shows farm real estate taxes per acre in selected years from 1930 to 1967. Montana ranks low among the states in taxes per acre. In 1967 Montana ranked forty-six out of fifty in farm real estate taxes per acre. Among the western states, taxes per acre in Montana exceeded taxes per acre in only Wyoming and Nevada. Growth in taxes per acre in Montana from 1930 to 1967 ranked third among the ten western states and 9 percentage points below the growth nationally.

Table 9.30 was prepared to show the taxes levied on farm real estate as a percent of net and gross farm income for the western states for selected years from 1950 to 1967. Farm real estate taxes in Montana as a percent of net income have exceeded the national average percent since 1960. In 1967, for example, real estate taxes as a percent of net farm income were 10.8 percent in Montana and 10.4 percent in the nation as a whole. Among the ten western states, Montana's farm real estate taxes as a percent of net income ranked fourth in 1967.

Table 9.31 shows that effective property tax rates in Montana were relatively high in the 1930s and 1940s. Since 1950 they have been from a low of .81 percent in 1966 to .92 percent in 1955 and in 1967. In 1967 only four states among the western states had effective property tax rates below Montana. Idaho's effective rate in 1967 was 97 percent of Montana's effective rate. Nevada's effective rate was only 77 percent of Montana's effective rate. The effective rate in Montana was 11 percent below the average effective rate in the nation.

Table 9.32 summarizes all the interstate comparison measures for 1967. In 1967 the tax per acre of 48 cents in Montana ranked forty-six among the fifty states. Tax per acre in Montana was below that in Wyoming and Nevada in 1967. In terms of the effective property tax rate, Montana ranked in the middle of the fifty states.

The Foundation Program and the Property Tax

The impact of the school foundation program on property tax rates is not widely appreciated. School foundation programs in Montana and elsewhere involve the establishment of an expenditure floor, or "foundation," and attempt to bring school districts to that level by paying

TABLE 9.29

Taxes Per Acre on Farm Real Estate, for Selected States, Selected Years, 1930-67

State	1930	1935	1940	1945	1950	1955	1960	1965	1966	1967
Colorado	$0.28	$0.19	$0.20	$0.23	$0.35	$0.48	$0.59	$0.71	$0.74	$0.79
Idaho	0.64	0.45	0.45	0.55	0.85	1.03	1.21	1.36	1.42	1.51
MONTANA	0.14	0.11	0.11	0.13	0.21	0.25	0.31	0.41	0.40	0.48
Nevada	0.15	0.17	0.15	0.14	0.17	0.20	0.26	0.35	0.36	0.37
North Dakota	0.38	0.23	0.22	0.25	0.43	0.50	0.65	0.79	0.80	0.82
Oregon	0.40	0.32	0.33	0.32	0.80	1.14	1.54	1.95	2.00	2.33
South Dakota	0.44	0.23	0.28	0.32	0.46	0.54	0.69	0.81	0.81	0.92
Utah	0.52	0.38	0.30	0.33	0.47	0.54	0.59	0.77	0.76	0.78
Washington	0.71	0.41	0.32	0.40	0.62	0.86	1.15	1.53	1.76	2.04
Wyoming	0.09	0.06	0.06	0.07	0.14	0.16	0.19	0.25	0.26	0.30
United States Average	0.57	0.37	0.39	0.44	0.69	0.88	1.21	1.57	1.70	1.84
(1957-59 = 100)										
Colorado	52	34	36	43	64	88	109	132	137	146
Idaho	57	40	41	49	75	91	108	122	127	134
MONTANA	49	40	39	46	74	87	109	144	140	167
Nevada	67	74	65	61	77	88	115	155	160	166
North Dakota	64	39	38	42	74	86	110	132	136	140
Oregon	30	24	24	24	60	85	115	156	150	174
South Dakota	72	38	45	52	75	88	112	130	131	149
Utah	93	67	54	58	84	96	105	147	136	138
Washington	68	40	31	38	60	82	111	152	169	196
Wyoming	52	32	33	39	76	89	106	141	147	170
United States Average	55	35	37	42	66	83	115	154	161	175

Source: Agricultural Finance Review, Vol. 30 Supplement, January 1970, Tables 34 and 35 (U. S. Department of Agriculture, Economic Research Service), pp. 53-56.

TABLE 9.30

Taxes Levied on Farm Real Estate as a Percentage of Net and Gross Farm Income, for Selected States, Selected Years, 1950-67

State	Percentage of Net Farm Income[1]						Percentage of Gross Farm Income					
	1950	1955	1960	1965	1966	1967	1950	1955	1960	1965	1966	1967
Colorado	6.5	16.8	10.3	10.9	11.7	15.1	2.3	3.7	3.1	2.9	2.8	2.8
Idaho	6.2	8.6	9.5	7.3	9.8	8.8	2.8	3.4	3.4	2.9	3.2	3.1
MONTANA	4.2	6.2	9.5	10.2	8.3	10.8	2.3	3.0	3.8	4.1	3.5	4.2
Nevada	3.5	11.5	18.6	25.3	15.9	21.1	1.8	3.3	3.9	4.4	4.0	4.2
North Dakota	5.0	6.8	8.8	7.3	8.1	9.4	2.8	3.3	3.9	3.6	3.7	3.9
Oregon	8.3	12.7	18.7	21.9	20.2	23.7	3.6	5.0	6.6	7.3	7.0	7.9
South Dakota	6.0	11.9	8.0	8.4	7.1	8.4	3.0	4.1	3.6	3.5	3.1	3.4
Utah	6.0	9.2	13.3	13.6	12.8	10.7	2.5	3.3	3.5	3.7	3.4	3.2
Washington	3.9	6.1	8.4	9.7	8.2	9.5	1.8	2.4	3.2	3.6	3.5	4.1
Wyoming	5.4	11.7	8.5	12.7	10.6	10.6	2.2	3.3	2.8	3.4	3.1	3.3
United States Average	4.7	6.9	8.7	8.8	8.9	10.4	2.2	2.8	3.2	3.4	3.5	3.8

Source: Agricultural Finance Review, Vol. 30, Supplement, January 1970, Table 37 (U. S. Department of Agriculture, Economic Research Service), pp. 59-60.

1. Before deduction of farm real estate taxes.

TABLE 9.31

Effective Property Tax Rate on Farm Real Estate, for Selected States, Average for 1909-13, Selected Years, 1930-67

State	1909-13	1930	1935	1940	1945	1950	1955	1960	1965	1966	1967	Index 1967
Colorado	0.36	1.43	1.59	1.53	0.89	1.02	1.11	1.06	0.96	0.94	0.96	104
Idaho	0.52	1.64	1.51	1.34	0.86	1.09	1.01	0.96	0.90	0.89	0.89	97
MONTANA	0.34	1.36	1.56	1.42	0.89	1.14	0.92	0.82	0.90	0.81	0.92	100
Nevada	0.38	1.02	1.47	1.14	0.64	0.88	0.70	0.66	0.73	0.70	0.71	77
North Dakota	0.46	1.70	1.31	1.70	1.12	1.45	1.35	1.18	1.14	1.08	1.04	113
Oregon	0.36	1.17	1.38	1.15	0.57	1.27	1.36	1.68	1.66	1.62	1.79	119
South Dakota	0.31	1.41	1.16	1.98	1.28	1.32	1.24	1.21	1.17	1.08	1.02	111
Utah	0.44	1.54	1.67	1.31	0.84	0.93	0.95	0.86	0.89	0.82	0.82	89
Washinton	0.55	1.44	1.09	0.80	0.50	0.68	0.68	0.84	0.95	1.03	1.12	122
Wyoming	0.26	1.12	1.11	0.94	0.57	0.91	0.93	0.72	0.74	0.73	0.80	87
United States Average	0.50	1.31	1.14	1.18	0.77	1.00	0.96	0.97	1.00	1.00	1.02	111

Source: Agricultural Finance Review, Vol. 30, Supplement, January 1970, Table 36, (U. S. Department of Agriculture, Economic Research Service), pp. 57-58.

TABLE 9.32

Taxation of Farm Real Estate for Selected States, 1967

State	Amount (Millions)	Taxes Per Acre Amount	Taxes Per Acre Rank	Effective Tax Rates Rate (Percent)	Effective Tax Rates Rank	Taxes as Percentage of Net Income	Taxes as Percentage of Gross Income
Colorado	$28.0	$0.79	39	0.96	27	15.1	2.8
Idaho	19.5	1.51	27	0.89	29	8.8	3.1
MONTANA	25.3	0.48	46	0.92	28	10.8	4.2
Nevada	2.7	0.37	48	0.71	35	21.1	4.2
North Dakota	33.3	0.82	38	1.04	22	9.4	3.9
Oregon	46.4	2.33	21	1.79	8	23.7	7.9
South Dakota	35.7	0.92	35	1.02	23	8.4	3.4
Utah	7.2	0.78	40	0.82	31	10.7	3.2
Washington	36.0	2.04	22	1.12	20	9.5	4.1
Wyoming	8.0	0.30	49	0.80	32	10.6	3.3
United States Average	----	1.84	--	1.02	--	10.4	3.8

Source: Agricultural Finance Review, Vol. 30, Supplement, January 1970, Tables 33, 34, 35, 36, and 37 (U. S. Department of Agriculture, Economic Research Service), pp. 51-60.

the difference between this level and the yield of a specified property tax levy. The objective of such programs is to equalize expenditures, tax levies, and tax effort throughout the entire states. In fact, however, the Montana foundation program has not equalized tax levies or tax effort during recent years. Foundation program levies have been lowest in the wealthiest counties and highest in the poorest counties.

A brief outline of the operation of the foundation program indicates why no equalization of basic school tax rates has occurred.

The Montana Legislature establishes budgeting schedules for the basic maintenance and operation of elementary and high schools. These schedules indicate the maximum general fund budget (based on average number of students belonging in the schools during the year) permissible without a vote of the people. However, since voters regularly approve budgets in excess of these schedules, the importance of the schedules derives from the fact that they determine the size of county foundation program budgets and, thereby, influence the intercounty distribution of available state school aid.

Foundation program budgets equal 80 percent of the maximum general fund budgeting schedules established by the legislature. To qualify for state school aid, the foundation program requires counties to have (1) school budgets at least equal to their respective foundation budgets and (2) county-wide levies of 15 mills for high schools and 25 mills for elementary schools to finance their foundation budgets. Counties where levies less than 15 or 25 mills can provide full financing of foundation program budgets, such levies must be imposed and the counties receive no state school aid. However, where the 15 and/or 25 mill levies do not fully finance foundation budgets, counties qualify for state school aid.

If state funds were sufficient to finance the portion of county foundation budgets not financed by county-wide levies, then the foundation program would equalize property tax rates, though not tax efforts, among most counties for the foundation program portion of total school budgets. Tax rates would not be equal in all counties because the wealthiest counties in taxable property per student would completely finance their foundation budgets with levies less than 15 and/or 25 mills. Among less wealthy counties, however, even equal tax rates would not mean equivalent tax efforts. Only with uniform property classification and assessment in all counties do equal tax rates mean equal tax effort, and these conditions do not presently exist in Montana.

With full state funding of the foundation program and equalized state-wide property classification and assessment, two types of indirect "equalization" would occur, however. First, state aid would vary inversely with the value of all taxable property per student. The greatest aid per student would flow to the poorest counties where basic county-wide levies yield the least revenue per student, and the least aid per student would go to the wealthiest counties. Second, the foundation program effectively establishes a minimum level of education expenditures per student. It equalizes educational opportunity by setting a uniform, but low, floor to school expenditure per student throughout the state. It is judged as being low because of the extensive use of permissive and voted levies across the state.

When available state funds are not sufficient to finance the difference between county foundation budgets and the revenue obtained from basic county school levies (the usual situation in recent years) state law requires increases in county-wide levies above the basic 15 and/or 25 mills to finance the foundation program fully. Table 9.33 presents county levies required to eliminate the state's deficiency in funding the foundation program in 1967-68, 1968-69, and 1969-70. Unequal additional county-wide levies have been required to compensate for deficiencies in state funding of the foundation program. These deficiency levies differ greatly among the counties, ranging from zero to successive annual highs of 16.34, 10.00, and 10.37 mills in Lincoln County. Furthermore, as Tables 9.34 and 9.35 demonstrate clearly, deficiency levies also vary inversely with county wealth. (Here, county wealth is measured in terms of per capita total assessed valuation as well as in terms of per capita total taxable valuation. The per capita assessed valuation measure of wealth eliminates the extraneous impact of the property classification involved in the per capita taxable valuation measure.) Deficiency levies are typically highest in the poorest counties and lowest in the wealthiest counties for two reasons: first, the more wealthy the county, the greater the proportion of its foundation budgets financed by the basic 15 and 25 mill levies, and, hence, the smaller the proportion left to be financed by state aid and a deficiency levy. Second, since much state aid is distributed on the basis of average number of students belonging which is very closely correlated with population, state aid does little to reduce the disparity which exists between wealthy and poor counties when they levy the basic 15 and 25 mill rates. Thus, given the present school aid distribution formula, incomplete state funding of the foundation program necessarily results in unequal tax rates which vary inversely with county wealth. See also the unequal tax rates induced by permissive and voted levies shown in Table 9.20 above.

Meaningful intercounty equalization of tax rates or tax efforts cannot occur without full state funding of the foundation program and equalized property classification and assessment throughout the state. In fact, recently the foundation program has significantly increased, not decreased the inequality of county tax levies in Montana.

Property Tax Administration

Administration of the property tax is said to be difficult because it is based on values. In a practical sense, the setting of values is a difficult task. Property tax assessors have a difficult job. The role of setting values for tax assessment purposes has long been one of immense practical difficulty not only because of the technical difficulty but because of political considerations. The situation existing throughout the United States, for the most part, has been described very lucidly as follows:

TABLE 9.33

Foundation Program Deficiency Mill Levies
By County
1967-68, 1968-69, and 1969-70

County	1967-68	1968-69	1969-70	County	1967-68	1968-69	1969-70
Beaverhead	6.72	4.92	4.74	Madison	7.31	5.25	5.26
Big Horn	8.45	5.92	6.20	Meagher	4.29	1.50*	3.71
Blaine	10.54	7.95	7.50	Mineral	11.93	8.89	4.13*
Broadwater	5.97	4.27	4.27	Missoula	10.88	8.05	7.95
Carbon	3.00*	2.27*	4.43	Musselshell	7.02	4.62	4.17
Carter	5.96	4.03	3.47	Park	10.10	7.37	7.24
Cascade	10.90	8.55	8.50	Petroleum	2.97*	1.93*	1.64*
Chouteau	4.02	1.55*	3.50	Phillips	7.46	5.38	5.19
Custer	10.50	7.68	7.74	Pondera	8.11	5.16	4.47
Daniels	8.82	6.25	5.81	Powder River	7.95	----	----
Dawson	9.15	6.55	6.86	Powell	8.28	6.00	6.06
Deer Lodge	8.55	6.17	6.00	Prairie	5.86	1.86*	2.37
Fallon	-----	----	----	Ravalli	14.14	9.89	9.76
Fergus	8.41	6.10	6.09	Richland	9.71	6.56	5.74
Flathead	10.77	8.07	6.08	Roosevelt	9.02	6.58	6.41
Gallatin	10.04	7.51	7.07	Rosebud	5.95	3.29	4.56
Garfield	6.28	4.60	4.22	Sanders	6.63	3.99	4.87
Glacier	8.52	6.11	5.87	Sheridan	7.18	5.18	5.25
Golden Valley	3.34*	2.28*	2.03*	Silver Bow	8.55	7.07	6.98
Granite	6.73	5.41	5.91	Stillwater	7.85	5.62	5.47
Hill	10.01	7.70	7.49	Sweet Grass	5.35	1.41*	3.36
Jefferson	6.95	5.01	5.00	Teton	6.55	4.73	4.51
Judith Basin	2.59	1.73*	1.66*	Toole	1.69	1.26*	3.36
Lake	10.38	7.77	7.74	Treasure	6.78	4.98	4.43
Lewis & Clark	10.00	7.11	7.88	Valley	12.54	9.15	6.69
Liberty	2.41	1.60*	3.69	Wheatland	7.90	5.52	5.01
Lincoln	16.34	10.00	10.37	Wibaux	----	----	----
McCone	-----	1.50	4.00	Yellowstone	9.78	6.99	6.89

Sources: Montana Property Tax Mill Levies, 1967-68, and subsequent issues, Montana Taxpayers' Association: Helena, Montana.

*Deficiency for High School only

TABLE 9.34

An Array of Deficiency Levies and Per Capita Total Assessed Valuation in Montana, by County Groupings, 1968-69

Per Capita Total Assessed Valuation	Deficiency Levies (Mills)				
	0-1.99	2.00-3.99	4.00-5.99	6.00-7.99	Above 8.00
Under 2,000	---	---	---	---	---
$2,000-2,999	---	---	---	---	1
3,000-3,999	---	---	---	8	5
4,000-4,999	---	---	3	8	1
5,000-5,999	---	2	3	---	---
6,000-6,999	2	1	6	1	---
7,000-7,999	3	1	2	---	---
8,000-8,999	2	---	1	---	---
Over 9,000	5	---	1	---	---

Sources: Twenty-third Biennial Report, Montana State Board of Equalization.

Montana Taxation, 1969 Edition, Montana Taxpayers' Association.

"Population Estimates for Montana Counties as of July 1, 1968," (Missoula: Bureau of Business and Economic Research, University of Montana, July 1969).

TABLE 9.35

An Array of Deficiency Levies and Per Capita Total Taxable Valuation in Montana, by County Groupings, 1968-69.

Per Capita Total Taxable Valuation	Deficiency Levies (Mills)				
	0-1.99	2.00-3.99	4.00-5.99	6.00-7.99	Above 8.00
Under 1,000	---	---	---	4	4
$1,000-1,499	---	---	3	12	3
1,500-1,999	2	1	8	---	---
2,000-2,499	3	2	4	---	---
2,500-2,999	4	1	1	---	---
Over 3,000	3	---	---	---	---

Sources: Twenty-third Biennial Report, Montana State Board of Equalization.

Montana Taxation, 1969 Edition, Montana Taxpayers' Association.

"Population Estimates for Montana Counties as of July 1, 1968," (Missoula: Bureau of Business and Economic Research, University of Montana, July 1969).

> "To find a value good and true
> Here are three things for you to do
> Consider your replacement cost
> Determine value that is lost
> Analyze your sales to see
> What market value really should be
> Now if these suggestions are not clear
> Copy the figures you used last year."[14]

There is no doubt that the 1957 Classification and Appraisal Act led to substantial improvement in the uniformity of assessment among the counties and within the counties across the state. It led to improvement because the regulations following the law more or less systematized the practices used for assessing property. Although the practices and the values derived therefrom can be criticized, substantial uniformity has been achieved.

There is also no doubt that administration of the property tax could still further be improved if it would simply be done. There exists no great mystery of how this improvement could come about. However, it has not yet come about because improvements require change and change is resisted and improvements require money.

The assessment process involves two steps: (1) discovery of the taxable property and (2) valuation of the property. The practical problems of assessment in Montana and elsewhere center on these two steps in the process. Improvement of the assessment process centers on doing these two steps in a systematic way.

As a practical matter there are four elements necessary to carry out the assessment process. Kenneth Back, in commenting on tax administration outlined the four elements in a very lucid statement.

> "While many experts have expounded upon various solutions to improving property tax administration...the four key areas which appear to hold the most promise are: (1) a workable law that lends itself to good administration; (2) assessment districts large enough to support a professional staff with a well-structured internal organization; (3) competent assessment personnel with adequate pay and tenure of office; and (4) adequate financial support."[15]

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[14] Harold M. Groves, "Is the Property Tax Conceptually and Practically Administrable?" in The Property Tax and Its Administration, ed. Arthur D. Lynn, Jr. (Madison: University of Wisconsin Press, 1969), p. 15.

[15] Kenneth Back, "Potential for Organizational Improvement of Property Tax Administration," in The Property Tax and Its Administration, ed. Arthur D. Lynn, Jr. (Madison: University of Wisconsin Press, 1969), pp. 32-33.

Montana's Law Regarding Property Tax Assessment. Montana property tax law has allowed the development of a very complex system of property tax assessment. Different concepts of value are used initially on various types of property and, additionally, the original values are reduced by various percentages to arrive at assessed values. Consequently, value can be used only as a broad reference to particular type of property. Although the procedures and values resulting from the procedure are intended to achieve equity in taxation and uniformity within particular classes of property, they have not done so if market value is the concept relied upon as the measure of equity and uniformity for an ad valorem tax system. The system has made it difficult for a taxpayer to comprehend the operations of the property tax.

The Montana property tax includes all privately held property. The practical aspects of discovery of especially certain types of personal property mitigate against effective operation of the law. Some types of personal property would cost far too much to discover in relation to the revenue derived therefrom to make their assessment practically feasible. Consequently, much of certain kinds of personal property are either ignored by assessors or they rely on self-assessment. Different methods are used in different counties for discovery of personal property. Varying methods are employed by county assessors to fix values. The actual value of certain kinds of personal property is not known and it is therefore impossible to compare the degree of uniformity in discovery and assessed values among the counties.

Assessment District Size. Dick Netzer contends that "If the assessment quality achieved in the best performing jurisdictions current is the target, it may be entirely possible to get 'good' property tax administration in the larger jurisdiction at a cost of no more than, say, 1.5 percent of tax collections, which is probably acceptable when compared to sales and income tax administration costs."[16] Furthermore, Netzer says that, "If the assessment function is to be handled by a full-time professional staff, as has been repeatedly recommended over the years, even a minimal size jurisdiction is likely to have an annual budget of $60,000 to $70,000."[17] Netzer points out that this budget will be less than 1.5 percent of tax collections only in jurisdiction with revenue of $4 million or more, which implies an average population size of 40,000-50,000 since per capita tax revenue currently averages about $100.[18]

How do Montana assessing jurisdictions stack up against these criteria? Table 9.36 shows the history of the number of counties in each

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[16] Dick Netzer, Economics of the Property Tax (Washington, D.C.: The Brookings Institution, 1966), p. 175.

[17] Ibid., p. 176.

[18] Ibid., p. 176.

TABLE 9.36

Total County Property Tax Revenue for All Governments and Purposes for 1956, 1961, 1966, and 1968.

Tax Revenue (Millions of Dollars)	Number of Counties 1956	1961	1966	1968
$6.0 +	2	2	4	6
5.0-5.99	0	2	2	0
4.0-4.99	1	2	1	1
3.5-3.99	0	0	0	1
3.0-3.49	1	0	1	2
2.5-2.99	2	2	2	6
2.0-2.49	1	2	6	7
1.0-1.99	20	23	19	16
Less than 1.0	29	23	21	17
Number of Counties which could budget $60,000 at 1.5 percent time collection	3	6	7	7

Sources: Biennial Report, Seventeenth, December 1956; Twentieth, December 1961; Twenty-second, December 1966; Twenty-third, December 1968; Montana State Board of Equalization.

class of property tax revenue collections. In 1956 only three counties could have budgeted $60,000 for assessment of the property tax. By 1968 the number of counties that could have budgeted $60,000 for property tax administration while still remaining at or below 1.5 percent of property tax collections had grown to seven. It is interesting to note that in 1968 there were forty-six counties that received property tax revenue of less than $3.0 million. The prospects for growth in these forty-six counties to a point where they could budget enough to support efficient "good" administration is not high within the near future.

Salaries of Assessing Officers. It seems clear that one of the prime prerequisites for attracting professionally qualified assessing officers and staff is the salary level. This is not to be construed to mean that some Montana assessors are not qualified and are not doing a good job. However, it is clear that Montana counties do not pay their assessing officers on a scale comparable to those in other states. Table 9.37 shows that Montana ranked fifty among the fifty states in the average annual salary paid to local assessors in 1966. In 1966 Montana assessors received salaries only 72 percent as high as the average salaries paid in Idaho, Wyoming, Utah, Nevada, Colorado, North Dakota, and South Dakota.

TABLE 9.37

Annual Salaries of Assessing Officers by State, 1966

State	Number of Assessing Officers	Average Salary		Lowest Salary	Highest Salary
		Rank	Amount		
Alabama	21	16	$ 8,143	$ 3,600	$17,000
Alaska	7	1	13,227	11,000	15,000
Arizona	14	15	8,429	7,200	10,400
Arkansas	75	49	4,547	2,700	5,000
California	62	3	12,192	4,800	35,000
Colorado	63	41	5,203	2,760	11,772
Connecticut	70	19	8,013	3,000	14,534
Delaware	2	17	8,122	7,245	9,000
Florida	76	9	9,758	4,800	14,839
Georgia	6	11	9,418	6,300	14,924
Hawaii	5	6	10,382	9,096	11,616
Idaho	44	42	5,198	3,036	8,000
Illinois	53	28	6,887	3,600	9,900
Indiana	2	20	8,000	6,000	10,000
Iowa	117	31	6,555	4,400	14,200
Kansas	5	34	6,199	5,200	7,350
Kentucky	122	39	5,799	3,000	7,200
Louisiana	70	8	10,119	5,400	15,000
Maine	21	30	6,571	3,000	10,500
Maryland	24	7	10,249	6,200	18,455
Massachusetts	17	12	9,091	6,600	15,000
Michigan	57	13	8,842	5,200	17,894
Minnesota	92	29	6,708	3,000	15,300
Mississippi	82	45	4,843	4,200	5,500
Missouri	2	2	12,564	9,900	15,228
MONTANA	56	50	4,434	3,650	6,300
Nebraska	80	48	4,634	3,600	10,000
Nevada	16	22	7,775	5,900	12,000
New Hampshire	3	18	8,100	5,800	9,500
New Jersey	91	24	7,548	3,400	16,064
New Mexico	31	40	5,783	2,750	7,920
New York	20	4	11,370	3,400	25,000
North Carolina	36	35	6,087	3,000	11,000
North Dakota	7	21	7,944	4,500	11,304
Ohio	86	26	7,352	4,500	16,000
Oklahoma	77	47	4,640	3,270	10,915
Oregon	36	25	7,393	4,200	14,500
Pennsylvania	4	33	6,405	4,200	8,700
Rhode Island	4	27	7,005	5,500	8,000
South Carolina	2	10	9,600	9,600	9,600
South Dakota	70	43	5,140	3,300	8,976
Tennessee	89	44	4,865	3,200	15,000
Texas	67	14	8,448	3,840	20,000
Utah	21	36	6,014	4,800	10,000
Vermont	7	32	6,500	5,000	8,800
Virginia	20	5	11,102	6,000	17,700
Washington	39	37	5,951	3,700	12,000
West Virginia	55	46	4,792	2,800	8,100
Wisconsin	65	23	7,631	2,700	21,006
Wyoming	23	38	5,843	4,800	6,600
Overall, United States	2,114	--	6,848	2,700	35,000

Paul V. Corusy, "Improved Property Tax Administration: Legislative Opportunities and Probabilities, *The Property Tax and Its Administration,* ed. D. Lynn, Jr., (the University of Wisconsin Press: Madison, 1969), pp. 54-55.

APPENDIX TO CHAPTER 9

These appendix tables provide detailed information to support discussions surrounding Table 9.15 in the body of the property tax chapter. The tables include data on the taxable value of various classes of property according to the Board of Equalization classifications for the years 1960 and 1968. They also show the percent change in taxable value from 1960 to 1968. Per capita taxable values in 1960 and 1968 and the percent changes in per capita taxable values from 1960 to 1968 are also shown.

TABLE A9.1

Taxable Values of Irrigated Land
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value		Percent Change	Taxable Value Per Capita		Percent Change
	1960	1968		1960	1968	
	(000)					
Beaverhead	$ 331.20	$ 463.20	39.86	$ 46.04	$ 58.63	27.36
Big Horn	543.90	617.40	13.51	54.35	60.53	11.37
Blaine	231.60	240.30	3.76	28.62	31.62	10.46
Broadwater	320.40	346.20	8.05	114.27	133.15	16.53
Carbon	1,421.10	1,059.60	-25.44	170.87	143.19	-16.20
Carter	--------	--------	------	------	------	-----
Cascade	265.80	226.50	-14.79	3.62	2.81	-22.47
Chouteau	30.90	36.90	19.42	4.21	5.77	37.11
Custer	222.30	219.90	-1.08	16.81	15.93	-5.19
Daniels	2.40	2.70	12.50	.64	.82	28.01
Dawson	93.00	159.90	71.94	7.55	13.55	79.42
Deer Lodge	249.30	175.80	-29.48	13.37	11.57	-13.52
Fallon	--------	--------	-----	------	------	-----
Fergus	132.30	59.10	-55.33	9.44	4.35	-53.96
Flathead	--------	105.90	-----	------	2.78	-----
Gallatin	1,404.90	882.60	-37.18	53.94	30.23	-43.96
Garfield	.30	2.10	600.00	.15	1.11	629.84
Glacier	66.30	15.90	-76.02	5.73	1.33	-76.89
Golden Valley	28.20	33.90	20.21	23.44	28.25	20.51
Granite	351.30	67.80	-80.70	116.56	23.38	-79.94
Hill	14.70	17.10	16.33	.79	1.11	40.90
Jefferson	90.90	108.30	19.14	21.15	21.24	.38
Judith Basin	42.30	10.80	-74.47	13.71	3.48	-74.59
Lake	774.60	552.00	-28.74	59.11	38.60	-34.70
Lewis & Clark	235.80	307.80	30.53	8.42	9.53	13.18
Liberty	5.40	3.30	-38.89	2.06	1.50	-27.11
Lincoln	37.50	21.00	-44.00	2.99	1.17	-60.78
McCone	689.40	620.10	10.05	132.30	106.91	-19.19
Madison	--------	16.80	------	------	5.25	-----
Meagher	373.50	133.80	-64.18	142.78	58.17	-59.25
Mineral	7.20	6.90	-4.17	2.37	2.09	-11.80
Missoula	368.40	165.90	-54.97	8.25	3.01	-63.50
Musselshell	47.10	96.90	105.73	9.64	24.23	151.41
Park	666.30	383.70	-42.41	50.60	32.79	-35.19
Petroleum	39.60	32.10	-18.94	44.30	40.13	-9.41
Phillips	210.90	402.60	90.90	34.99	75.96	117.08
Pondera	512.40	510.00	-0.47	66.95	78.46	17.19
Powder River	631.20	18.00	-97.15	254.00	6.92	-97.27
Powell	493.20	155.70	-68.43	70.44	20.76	-70.53
Prairie	55.80	100.50	80.11	24.07	50.25	108.74
Ravalli	944.10	890.70	-5.66	76.50	64.54	-15.63
Richland	294.30	465.60	58.21	28.02	43.51	55.31
Roosevelt	10.50	15.60	48.57	.90	1.41	57.02
Rosebud	250.20	232.50	-7.07	40.44	36.90	-8.74
Sanders	49.20	45.00	-8.54	7.15	6.82	-4.66
Sheridan	--------	--------	-----	------	------	-----
Silver Bow	25.20	20.40	-19.05	.54	.45	-17.71
Stillwater	446.10	324.30	-27.30	80.73	67.56	-16.31
Sweet Grass	444.60	253.50	-42.98	135.14	84.50	-37.47
Teton	524.40	620.10	18.25	71.88	103.35	43.77
Toole	--------	1.80	-----	------	.28	-----
Treasure	195.30	233.10	19.35	145.20	194.25	33.78
Valley	119.10	312.00	161.96	6.97	24.38	249.56
Wheatland	287.70	104.70	-63.61	95.08	37.39	-60.67
Wibaux	--------	--------	-----	------	------	-----
Yellowstone	1,733.40	1,400.10	-19.23	21.94	17.20	-21.59

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana Board of Equalization.

TABLE A9.2

Taxable Values of Nonirrigated Land
Total, Per Capita, and Percent Charge
By County
1960 to 1968

	Total Taxable Value			Taxable Value Per Capita		
County	1960	1968	Percent Change	1960	1968	Percent Change
	(000)					
Beaverhead	$ 535.20	$ 63.00	-88.23	$ 74.40	$ 7.97	-89.28
Big Horn	432.00	626.10	44.93	43.17	61.38	42.19
Blaine	851.10	1,068.00	25.48	105.19	140.53	33.59
Broadwater	212.10	252.60	19.09	75.64	97.15	28.44
Carbon	198.90	386.40	94.27	23.91	52.22	118.34
Carter	703.50	232.50	-66.95	282.19	116.25	-58.80
Cascade	197.10	2,111.10	971.08	2.68	26.16	874.43
Chouteau	3,930.30	6,366.90	62.00	534.88	994.83	85.99
Custer	133.50	143.10	7.19	10.09	10.37	2.74
Daniels	1,442.40	1,295.40	-10.19	384.13	392.55	2.19
Dawson	953.70	995.40	4.37	77.45	84.36	8.92
Deer Lodge	45.60	31.20	-31.58	2.45	2.05	-16.09
Fallon	708.90	445.80	-37.11	177.36	99.07	-44.14
Fergus	2,749.80	2,085.30	-24.17	196.16	153.33	-21.83
Flathead	1,060.20	948.60	-10.53	32.16	24.90	-22.59
Gallatin	789.60	839.10	6.27	30.32	28.74	- 5.21
Garfield	241.80	223.80	- 7.44	122.06	117.79	- 3.50
Glacier	735.00	1,224.60	66.61	63.55	102.05	60.57
Golden Valley	166.20	225.60	35.74	138.15	188.00	36.08
Granite	--------	14.70	------	------	5.07	------
Hill	2,419.80	3,581.70	48.02	129.73	232.58	79.28
Jefferson	96.30	64.80	-32.71	22.41	12.71	-43.31
Judith Basin	1,719.60	1,601.70	- 6.86	557.41	516.68	- 7.31
Lake	652.80	285.90	-56.20	49.82	19.99	-59.87
Lewis and Clark	126.00	188.70	49.76	4.50	5.84	29.85
Liberty	1,549.80	2,150.10	38.73	590.63	977.32	65.47
Lincoln	103.50	2.10	-97.97	8.26	.12	-98.58
McCone	24.00	91.80	282.50	4.61	15.83	243.66
Madison	1,463.10	1,126.50	-23.01	440.56	352.03	-20.09
Meagher	54.30	70.20	29.28	20.76	30.52	47.04
Mineral	27.90	22.20	-20.43	9.19	6.73	-26.77
Missoula	153.60	77.40	-49.61	3.44	1.40	-59.15
Musselshell	140.40	231.00	64.53	28.72	57.75	101.06
Park	243.00	271.50	11.73	18.45	23.21	25.75
Petroleum	132.30	39.00	-70.52	147.99	48.75	-67.06
Phillips	597.90	1,086.30	81.69	99.20	204.96	106.61
Pondera	2,933.70	2,727.90	- 7.02	383.34	419.68	9.48
Powder River	658.80	267.30	-59.43	265.11	102.81	-61.22
Powell	57.30	24.30	-57.59	8.18	3.24	-60.41
Prairie	540.00	244.50	-54.72	232.96	122.25	-47.52
Ravalli	47.70	83.10	74.21	3.87	6.02	55.80
Richland	822.60	1,284.90	56.20	78.31	120.08	53.34
Roosevelt	1,222.50	1,974.30	61.50	104.21	177.86	70.68
Rosebud	231.90	300.60	29.62	37.48	47.71	27.30
Sanders	121.20	152.40	25.74	17.62	23.09	31.08
Sheridan	1,818.90	2,027.70	11.48	281.65	337.95	19.99
Silver Bow	35.70	18.30	-48.74	.77	.40	-47.89
Stillwater	572.10	871.20	52.28	103.53	181.50	75.31
Sweet Grass	--------	108.60	------	------	36.20	------
Teton	2,029.80	2,810.40	38.46	278.25	468.40	68.34
Toole	1,811.70	3,048.60	68.27	229.21	469.02	-104.62
Treasure	198.90	72.60	63.50	147.88	60.50	-59.09
Valley	1,443.30	2,111.70	46.31	84.50	164.98	95.23
Wheatland	452.70	101.40	-77.60	149.60	36.21	-75.79
Wibaux	638.40	500.70	-21.57	375.97	312.94	-16.77
Yellowstone	529.50	1,119.30	111.39	6.70	13.75	105.20

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.3

Taxable Value of Grazing Land
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value		Percent Change	Taxable Value Per Capita		Percent Change
	1960	1968		1960	1968	
	(000)					
Beaverhead	$ 735.90	$1,202.70	63.43	$102.29	$152.24	-48.83
Big Horn	881.10	1,648.50	87.10	88.05	161.62	83.56
Blaine	1,224.60	1,174.50	-4.09	151.35	154.54	2.11
Broadwater	375.00	227.10	-39.44	133.74	87.35	-34.69
Carbon	451.50	660.60	46.31	54.29	89.27	64.44
Carter	760.20	1,293.00	70.09	304.93	646.50	112.01
Cascade	1,197.60	1,194.90	-0.23	16.31	14.81	-9.23
Chouteau	1,197.30	828.60	-30.79	162.94	129.47	-20.54
Custer	1,185.30	1,365.30	15.19	89.61	98.93	10.40
Daniels	156.30	237.00	51.63	41.62	71.82	72.54
Dawson	691.80	947.10	36.90	56.18	80.26	42.87
Deer Lodge	218.70	294.00	34.43	11.73	19.34	64.85
Fallon	272.10	565.80	107.94	68.08	125.73	84.70
Fergus	1,103.10	1,769.70	60.43	78.69	130.13	65.36
Flathead	513.60	114.00	-77.80	15.58	2.99	-80.80
Gallatin	491.10	736.50	49.97	18.86	25.22	33.77
Garfield	1,021.20	1,783.50	74.65	515.50	938.68	82.09
Glacier	502.80	635.70	26.43	43.48	52.98	21.85
Golden Valley	529.50	490.50	-7.37	440.15	408.75	-7.13
Granite	310.50	170.40	-45.12	103.02	58.76	-42.96
Hill	631.80	516.00	-18.33	33.87	33.51	-1.08
Jefferson	219.60	190.50	-13.25	51.11	37.35	-26.91
Judith Basin	498.30	858.30	72.25	161.52	276.87	71.41
Lake	224.40	308.70	37.57	17.12	21.59	26.06
Lewis & Clark	792.90	831.00	4.81	28.31	25.73	-9.13
Liberty	246.60	319.80	29.68	93.98	145.36	54.68
Lincoln	311.70	102.90	-66.99	24.86	5.75	-76.88
McCone	617.40	852.30	38.05	118.48	146.95	24.03
Madison	277.50	786.60	183.46	83.56	245.81	194.18
Meagher	723.90	876.00	21.01	276.72	380.87	37.64
Mineral	38.40	12.90	-66.41	12.64	3.91	-69.08
Missoula	345.60	335.40	-2.95	7.74	6.09	-21.33
Musselshell	663.30	858.90	29.49	135.70	214.73	58.24
Park	463.80	760.50	63.97	35.22	65.00	84.55
Petroleum	308.10	475.80	54.43	344.63	594.75	72.58
Phillips	991.80	1,187.40	19.72	164.56	224.04	36.14
Pondera	419.70	357.30	-14.87	54.84	54.97	.23
Powder River	1.50	1,075.20	1,580.00	.60	413.54	8,409.50
Powell	658.20	443.40	-32.63	94.00	59.12	-37.11
Prairie	192.30	335.70	74.57	82.96	167.85	102.33
Ravalli	269.10	109.20	-59.42	21.81	7.91	-63.71
Richland	496.80	897.30	80.62	47.30	83.86	77.31
Roosevelt	425.40	406.20	-4.51	36.26	36.59	.91
Rosebud	1,120.80	1,651.50	47.35	181.15	262.14	44.71
Sanders	318.90	155.10	-51.36	46.35	23.50	-49.30
Sheridan	316.20	391.80	23.91	48.96	65.30	33.37
Silver Bow	119.40	113.40	-5.03	2.57	2.48	-3.46
Stillwater	597.60	735.60	23.09	108.14	153.25	41.71
Sweet Grass	846.00	870.60	2.91	257.14	290.20	12.86
Teton	451.50	568.80	25.98	61.89	94.80	53.17
Toole	534.30	547.80	2.53	67.60	84.28	24.67
Treasure	261.30	379.50	45.24	194.28	316.25	62.78
Valley	547.80	841.80	53.67	32.07	65.77	105.05
Wheatland	243.60	605.70	148.65	80.50	216.32	168.71
Wibaux	256.50	350.40	36.61	151.06	219.00	44.98
Yellowstone	1,045.80	797.40	-23.75	13.24	9.80	-25.99

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.4

Taxable Value of Agricultural Improvement
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value (000) 1960	Total Taxable Value (000) 1968	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 396.00	$ 684.60	72.88	$ 55.05	$ 86.66	57.43
Big Horn	634.80	846.30	33.32	63.44	82.97	30.80
Blaine	620.10	709.80	14.47	76.64	93.39	21.86
Broadwater	315.60	382.50	21.20	112.55	147.12	30.71
Carbon	463.80	1,014.00	118.63	55.77	137.03	145.72
Carter	285.00	348.90	22.42	114.32	174.45	52.60
Cascade	984.60	1,101.00	11.82	13.41	13.64	1.73
Chouteau	1,075.20	1,200.00	11.61	146.33	187.50	28.14
Custer	552.00	584.40	5.87	41.73	42.35	1.47
Daniels	300.30	432.30	43.96	79.97	131.00	63.80
Dawson	2,784.80	863.70	10.05	63.73	73.19	14.85
Deer Lodge	735.40	143.40	-94.76	146.75	9.43	-93.57
Fallon	315.60	426.30	35.08	78.96	94.73	19.98
Fergus	964.20	1,401.90	45.40	68.78	103.08	49.86
Flathead	861.30	1,720.50	99.76	26.13	45.16	72.83
Gallatin	870.90	1,277.70	46.71	33.44	43.76	30.86
Garfield	136.80	310.50	126.97	69.06	163.42	136.65
Glacier	462.30	902.40	95.20	39.97	75.20	88.12
Golden Valley	80.10	163.80	104.49	66.58	136.50	105.01
Granite	345.30	252.30	-26.93	114.57	87.00	-24.06
Hill	973.50	1,449.30	48.88	52.19	94.11	80.32
Jefferson	213.60	304.80	42.70	49.71	59.76	20.23
Judith Basin	401.10	812.70	102.62	130.02	262.16	101.64
Lake	1,210.20	969.90	-19.86	92.35	67.83	-26.56
Lewis & Clark	535.80	651.60	21.61	19.13	20.17	5.45
Liberty	446.10	733.50	64.43	170.01	333.41	96.11
Lincoln	316.20	772.50	144.31	25.22	43.16	71.11
McCone	317.40	881.10	177.60	60.91	151.91	149.41
Madison	345.00	629.10	82.35	103.88	196.59	89.24
Meagher	200.10	242.40	21.14	76.49	105.39	37.78
Mineral	42.30	128.40	203.55	13.93	38.91	179.35
Missoula	800.10	582.00	-27.26	17.91	10.56	-41.04
Musselshell	168.90	381.60	125.93	34.55	95.40	176.09
Park	817.20	716.10	-12.37	62.06	61.21	- 1.38
Petroleum	51.30	93.30	81.87	57.38	116.63	103.24
Phillips	343.20	614.70	79.11	56.94	115.98	103.68
Pondera	1,044.30	1,183.20	13.30	136.46	182.03	33.40
Powder River	307.20	444.90	44.82	123.62	171.12	38.42
Powell	212.40	329.40	55.08	30.33	43.92	44.79
Prairie	197.40	319.80	62.01	85.16	159.90	87.77
Ravalli	1,099.50	1,485.90	47.19	81.80	107.67	31.63
Richland	895.50	963.30	7.57	85.25	90.03	5.60
Roosevelt	681.90	928.50	36.16	58.13	83.65	43.90
Rosebud	568.20	600.00	5.60	91.84	95.24	3.70
Sanders	261.00	499.50	91.38	37.94	75.68	99.50
Sheridan	700.50	721.80	3.04	108.47	120.30	10.91
Silver Bow	260.10	98.40	-62.17	5.60	2.15	-61.54
Stillwater	517.50	614.40	18.72	93.65	128.00	36.68
Sweet Grass	361.20	425.70	17.86	109.79	141.90	29.25
Teton	1,374.60	1,357.50	- 1.24	188.43	226.25	20.07
Toole	364.20	767.10	110.63	46.08	118.02	156.12
Treasure	110.40	166.80	51.09	82.08	139.00	69.34
Valley	718.20	1,138.20	58.48	42.05	88.92	111.47
Wheatland	180.30	264.00	46.42	59.58	94.29	58.24
Wibaux	285.90	300.90	5.25	168.37	188.06	11.69
Yellowstone	3,155.10	2,511.60	-20.40	39.93	30.86	-22.73

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.5

Taxable Value of All Agricultural Land
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960	Total Taxable Value 1968	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
	(000)	(000)				
Beaverhead	$1,613.10	$2,238.60	38.78	$224.23	$ 283.37	26.37
Big Horn	1,862.10	2,898.00	55.63	186.08	284.12	52.69
Blaine	2,321.10	2,563.80	10.46	286.87	337.34	17.59
Broadwater	908.10	872.40	- 3.93	323.86	335.54	3.61
Carbon	2,073.00	2,237.10	7.92	249.25	302.31	21.29
Carter	1,464.00	1,548.90	5.80	587.24	774.45	31.88
Cascade	3,452.70	3,712.50	7.52	47.03	46.00	- 2.18
Chouteau	5,193.30	7,291.80	40.41	706.76	1,139.34	61.21
Custer	1,541.10	1,778.10	15.38	116.51	128.85	10.59
Daniels	1,615.50	1,565.70	- 3.08	430.23	474.45	10.28
Dawson	1,738.20	2,124.90	22.25	141.16	180.08	27.57
Deer Lodge	513.60	501.00	- 2.45	27.55	32.96	19.62
Fallon	980.70	1,012.20	3.21	245.36	224.93	- 8.32
Fergus	3,992.10	4,393.80	10.06	284.78	323.07	13.45
Flathead	1,574.70	1,263.00	-19.79	47.77	33.15	-30.60
Gallatin	2,686.80	2,576.70	- 4.10	103.16	88.24	-14.46
Garfield	1,263.30	2,028.00	60.53	637.71	1,067.37	67.38
Glacier	1,304.10	1,926.90	47.76	112.76	160.58	42.40
Golden Valley	724.80	753.00	3.89	602.49	627.50	4.15
Granite	661.80	410.10	-38.03	219.58	141.41	-35.60
Hill	3,089.70	4,129.20	33.64	165.64	268.13	61.87
Jefferson	408.30	425.70	4.26	95.02	83.47	-12.15
Judith Basin	2,267.70	2,571.90	13.41	735.07	829.65	12.87
Lake	1,652.40	1,164.90	29.50	126.10	81.46	-35.40
Lewis and Clark	1,159.50	1,401.00	20.83	41.40	43.37	4.76
Liberty	1,827.00	2,481.90	35.85	696.27	1,128.14	62.03
Lincoln	452.70	163.50	-63.88	36.11	9.13	-74.70
McCone	1,330.80	1,663.80	25.02	255.38	286.86	12.33
Madison	1,748.10	1,941.30	11.05	526.38	606.66	15.25
Meagher	1,152.00	1,270.80	10.31	440.37	552.52	25.47
Mineral	73.80	42.00	-43.09	24.30	12.73	-47.63
Missoula	867.60	657.60	-24.20	19.43	11.93	-38.56
Musselshell	850.80	1,190.40	39.92	174.06	297.60	70.98
Park	1,373.70	1,508.10	9.78	104.32	128.90	23.56
Petroleum	480.60	555.60	15.61	537.58	694.50	29.19
Phillips	1,800.30	2,701.50	50.06	298.71	509.72	70.64
Pondera	3,927.60	3,613.20	- 8.00	513.21	555.88	8.31
Powder River	1,291.50	1,520.40	17.72	519.72	584.77	12.52
Powell	1,209.00	927.00	-23.33	172.66	123.60	-28.42
Prairie	790.20	691.50	-12.49	340.90	345.75	1.42
Ravalli	1,262.40	1,212.90	- 3.92	102.29	87.89	-14.08
Richland	1,613.70	2,748.60	70.33	153.63	256.88	67.21
Roosevelt	1,658.40	2,426.40	46.31	141.37	218.59	54.63
Rosebud	1,605.60	2,202.60	37.18	259.51	349.62	34.72
Sanders	490.50	495.60	1.04	71.29	75.09	5.33
Sheridan	2,135.40	2,421.60	13.40	330.66	403.60	22.06
Silver Bow	181.50	152.10	-16.20	3.91	3.33	-14.82
Stillwater	1,618.80	1,958.70	21.00	292.94	408.06	39.30
Sweet Grass	1,290.60	1,305.60	1.16	392.28	435.20	10.94
Teton	3,045.90	4,139.40	35.90	417.53	689.90	65.23
Toole	2,379.00	3,610.80	51.78	300.99	555.51	84.56
Treasure	656.40	685.20	4.39	488.03	571.00	17.00
Valley	2,119.50	3,293.10	55.37	124.09	257.27	107.32
Wheatland	983.70	882.30	-10.31	325.08	315.11	- 3.07
Wibaux	896.10	860.40	- 3.98	527.74	537.75	1.90
Yellowstone	3,314.10	3,316.80	.08	41.94	40.75	- 2.85

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.6

Taxable Value of Timber Land
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960	Total Taxable Value 1968	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
	(000)					
Beaverhead	$------	$------	--------	$-----	$-----	--------
Big Horn	------	------	--------	-----	-----	--------
Blaine	------	------	--------	-----	-----	--------
Broadwater	------	1.50	--------	-----	.58	
Carbon	.30	------	--------	.04	-----	--------
Carter	------	------	--------	-----	-----	--------
Cascade	------	------	--------	-----	-----	--------
Chouteau	------	.60	--------	-----	.09	--------
Custer	------	------	--------	-----	-----	--------
Daniels	------	------	--------	-----	-----	--------
Dawson	------	------	--------	-----	-----	--------
Deer Lodge	------	------	--------	-----	-----	--------
Fallon	------	------	--------	-----	-----	--------
Fergus	------	.30	--------	-----	.02	--------
Flathead	491.10	732.30	49.11	14.90	19.22	29.02
Gallatin	------	13.20	--------	-----	.45	--------
Garfield	------	------	--------	-----	-----	--------
Glacier	------	------	--------	-----	-----	--------
Golden Valley	------	------	--------	-----	-----	--------
Granite	33.90	103.20	204.42	11.25	35.59	216.39
Hill	------	------	--------	-----	-----	--------
Jefferson	------	------	--------	-----	-----	--------
Judith Basin	------	------	--------	-----	-----	--------
Lake	149.70	164.40	9.82	11.42	11.50	.63
Lewis & Clark	21.00	23.40	11.43	.75	.72	- 3.38
Liberty	------	------	--------	-----	-----	--------
Lincoln	589.80	833.70	41.35	47.04	46.58	- 1.00
McCone	------	3.60	--------	-----	.62	--------
Madison	------	------	--------	-----	-----	--------
Meagher	------	3.00	--------	-----	1.30	--------
Mineral	92.70	129.00	39.16	30.52	39.09	28.07
Missoula	431.40	516.90	19.82	9.66	9.38	- 2.88
Musselshell	------	------	--------	-----	-----	--------
Park	21.60	6.00	- 72.22	1.64	.51	- 68.74
Petroleum	------	------	--------	-----	-----	--------
Phillips	------	------	--------	-----	-----	--------
Pondera	------	------	--------	-----	-----	--------
Powder River	------	------	--------	-----	-----	--------
Powell	124.50	283.20	127.47	17.78	37.76	112.37
Prairie	------	------	--------	-----	-----	--------
Ravalli	3.00	163.20	5,340.00	.24	11.83	4,764.86
Richland	------	------	--------	-----	-----	--------
Roosevelt	------	------	--------	-----	-----	--------
Rosebud	------	------	--------	-----	-----	--------
Sanders	297.30	433.50	45.81	43.21	65.68	52.00
Sheridan	------	------	--------	-----	-----	--------
Silver Bow	------	.60	--------	-----	.01	--------
Stillwater	------	------	--------	-----	-----	--------
Sweet Grass	------	.30	--------	-----	.10	--------
Teton	------	------	--------	-----	-----	--------
Toole	------	------	--------	-----	-----	--------
Treasure	------	------	--------	-----	-----	--------
Valley	------	------	--------	-----	-----	--------
Wheatland	------	------	--------	-----	-----	--------
Wibaux	------	------	--------	-----	-----	--------
Yellowstone	------	------	--------	-----	-----	--------

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.7

Taxable Value of Industrial Sites
Total, Per Capita, and Percent Change
By County
1960 to 1968

	Total Taxable Value			Taxable Value Per Capita		
County	1960	1968	Percent Change	1960	1968	Percent Change
	(000)					
Beaverhead	$------	$------	---------	$-----	$-----	---------
Big Horn	4.20	5.70	35.71	.42	.56	33.15
Blaine	1.80	3.00	66.67	.22	.39	77.43
Broadwater	------	------	---------	-----	-----	---------
Carbon	2.70	4.80	77.78	.32	.65	99.81
Carter	------	------	---------	-----	-----	---------
Cascade	316.80	334.20	5.49	4.32	4.14	- 4.03
Chouteau	------	------	---------	-----	-----	---------
Custer	------	11.40	---------	-----	.83	---------
Daniels	------	------	---------	-----	-----	---------
Dawson	------	7.20	---------	-----	.61	---------
Deer Lodge	36.30	48.30	33.06	1.95	3.18	63.17
Fallon	------	------	---------	-----	-----	---------
Fergus	------	------	---------	-----	-----	---------
Flathead	17.10	80.40	370.18	.52	2.11	306.81
Gallatin	194.70	73.80	- 62.10	7.48	2.53	- 66.19
Garfield	------	------	---------	-----	-----	---------
Glacier	.90	2.70	200.00	.08	.23	189.13
Golden Valley	------	------	---------	-----	-----	---------
Granite	------	2.10	---------	-----	.72	---------
Hill	19.20	37.20	93.75	1.03	2.42	134.68
Jefferson	------	3.00	---------	-----	.59	---------
Judith Basin	3.30	3.60	9.09	1.07	1.16	8.56
Lake	------	5.70	---------	-----	.40	---------
Lewis and Clark	24.90	9.90	- 60.24	.89	.31	- 65.53
Liberty	------	------	---------	-----	-----	---------
Lincoln	9.00	136.50	1,416.67	.72	7.63	962.26
McCone	------	------	---------	-----	-----	---------
Madison	------	------	---------	-----	-----	---------
Meagher	------	1.50	---------	-----	.65	---------
Mineral	------	.90	---------	-----	.27	---------
Missoula	23.70	139.80	489.87	.53	2.54	378.14
Musselshell	------	------	---------	-----	-----	---------
Park	5.10	13.80	170.59	.39	1.18	204.54
Petroleum	------	------	---------	-----	-----	---------
Phillips	------	------	---------	-----	-----	---------
Pondera	3.90	4.20	7.69	.51	.65	26.80
Powder River	------	------	---------	-----	-----	---------
Powell	------	3.60	---------	-----	.48	---------
Prairie	------	------	---------	-----	-----	---------
Ravalli	------	7.50	---------	-----	.54	---------
Richland	------	------	---------	-----	-----	---------
Roosevelt	------	1.50	---------	-----	.14	---------
Rosebud	------	2.40	---------	-----	.38	---------
Sanders	174.90	205.80	17.67	25.42	31.18	22.66
Sheridan	------	------	---------	-----	-----	---------
Silver Bow	20.10	684.90	3,307.46	.43	14.99	3,363.68
Stillwater	------	------	---------	-----	-----	---------
Sweet Grass	------	------	---------	-----	-----	---------
Teton	------	.60	---------	-----	.10	---------
Toole	3.90	11.40	192.31	.49	1.75	255.45
Treasure	------	------	---------	-----	-----	---------
Valley	------	------	---------	-----	-----	---------
Wheatland	.60	.30	- 50.00	.20	.11	- 45.96
Wibaux	------	------	---------	-----	-----	---------
Yellowstone	68.70	299.70	336.24	.87	3.68	323.47

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.8

Taxable Value of Industrial Improvements
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960 (000)	Total Taxable Value 1968 (000)	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 17.70	$ 26.40	49.15	$ 2.46	$ 3.34	35.82
Big Horn	239.70	313.80	30.91	23.95	30.76	28.44
Blaine	165.60	60.90	-63.22	20.47	8.01	-60.85
Broadwater	28.80	26.10	- 9.38	10.27	10.04	- 2.26
Carbon	36.90	80.10	117.07	4.44	10.82	143.97
Carter	--------	--------	--------	------	------	--------
Cascade	2,558.70	2,674.20	4.51	34.85	33.14	- 4.92
Chouteau	169.20	194.10	14.72	23.03	30.33	31.71
Custer	100.50	177.30	76.42	7.60	12.85	69.09
Daniels	66.30	68.10	2.71	17.66	20.64	16.88
Dawson	157.20	254.70	62.02	12.77	21.58	69.08
Deer Lodge	324.90	1,869.60	475.44	17.43	123.00	605.67
Fallon	25.20	462.00	1,733.33	6.30	102.67	1,528.41
Fergus	186.30	190.80	2.42	13.29	14.03	5.56
Flathead	2,862.60	3,511.80	22.68	86.84	92.17	6.14
Gallatin	1,006.20	529.80	-47.35	38.63	18.14	-53.04
Garfield	--------	--------	--------	------	------	--------
Glacier	75.90	93.00	22.53	6.56	7.75	18.09
Golden Valley	5.70	5.10	-10.53	4.47	4.25	-10.30
Granite	--------	195.00	--------	------	67.24	--------
Hill	276.30	476.40	72.42	14.81	30.94	108.84
Jefferson	--------	285.60	--------	------	56.00	--------
Judith Basin	76.80	78.60	2.34	24.89	25.35	1.85
Lake	--------	138.30	--------	------	9.67	--------
Lewis & Clark	364.50	210.60	-42.22	13.02	6.52	-49.90
Liberty	107.40	115.50	7.54	40.93	52.50	28.27
Lincoln	372.30	930.90	150.04	29.70	52.01	75.13
McCone	--------	18.30	--------	------	3.16	--------
Madison	19.80	--------	--------	5.96	------	--------
Meagher	--------	18.30	--------	------	7.96	--------
Mineral	84.90	113.40	33.57	27.96	34.36	22.92
Missoula	1,034.10	1,281.00	23.88	23.15	23.25	.41
Musselshell	6.60	--------	--------	1.35	------	--------
Park	155.40	143.70	- 7.53	11.80	12.28	4.07
Petroleum	2.40	1.80	-25.00	2.68	2.25	-16.19
Phillips	66.60	47.70	-28.38	11.05	9.00	-18.55
Pondera	128.10	164.70	28.57	16.74	25.34	51.38
Powder River	--------	--------	--------	------	------	--------
Powell	37.20	83.40	124.19	5.31	11.12	109.31
Prairie	16.20	19.80	22.22	6.99	9.90	41.66
Ravalli	23.10	125.10	441.56	1.87	9.07	384.30
Richland	19.80	--------	--------	1.88	------	--------
Roosevelt	142.20	224.10	57.59	12.12	20.19	66.55
Rosebud	88.50	117.00	32.20	14.30	18.57	29.83
Sanders	1,910.10	3,071.70	60.81	277.63	465.41	67.64
Sheridan	39.30	61.80	57.25	6.09	10.30	69.26
Silver Bow	290.70	2,407.20	728.07	6.26	52.67	741.73
Stillwater	221.10	72.00	-67.44	40.01	15.00	-62.51
Sweet Grass	--------	--------	--------	------	------	--------
Teton	111.60	148.20	32.80	15.30	24.70	61.46
Toole	252.00	240.30	- 4.64	31.88	36.97	15.95
Treasure	3.60	5.10	41.67	2.68	4.25	58.78
Valley	107.70	171.00	58.77	6.31	13.36	111.86
Wheatland	21.60	23.40	8.33	7.14	8.36	17.08
Wibaux	246.60	223.50	- 9.37	145.23	139.69	- 3.82
Yellowstone	5,639.70	7,831.20	38.86	71.37	96.21	34.79

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.9

Taxable Value of Patented Mining Claims
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960	Total Taxable Value 1968	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 39.00	$ 30.00	-23.08	$ 5.42	$ 3.80	-29.95
Big Horn	------	------	------	-----	-----	------
Blaine	------	------	------	-----	-----	------
Broadwater	32.00	32.00	------	11.41	12.31	7.85
Carbon	198.00	79.00	-60.10	23.81	10.68	-55.16
Carter	9.00	7.00	-22.22	3.61	3.50	- 3.05
Cascade	33.00	33.00	------	.45	.41	- 9.02
Chouteau	------	------	------	-----	-----	------
Custer	------	------	------	-----	-----	------
Daniels	------	------	------	-----	-----	------
Dawson	------	------	------	-----	-----	------
Deer Lodge	35.00	36.00	2.86	1.88	2.37	26.14
Fallon	------	------	------	-----	-----	------
Fergus	22.00	22.00	------	1.57	1.62	3.07
Flathead	------	------	------	-----	-----	------
Gallatin	------	------	------	-----	-----	------
Garfield	------	------	------	-----	-----	------
Glacier	------	------	------	-----	-----	------
Golden Valley	------	------	------	-----	-----	------
Granite	74.00	75.00	1.35	24.55	25.86	5.34
Hill	------	------	------	-----	-----	------
Jefferson	173.00	172.00	- 0.58	40.26	33.73	-16.23
Judith Basin	18.00	18.00	------	5.83	5.81	- 0.48
Lake	------	------	------	-----	-----	------
Lewis and Clark	88.00	85.00	- 3.41	3.14	2.63	-16.25
Liberty	7.00	8.00	14.29	2.67	3.64	36.31
Lincoln	15.00	17.00	13.33	1.20	.95	-20.62
McCone	103.00	106.00	2.91	19.77	18.28	- 7.54
Madison	------	------	------	-----	-----	------
Meagher	9.00	13.00	44.44	3.44	5.65	64.29
Mineral	17.00	17.00	------	5.60	5.15	- 7.97
Missoula	13.00	13.00	------	.29	.24	-18.94
Musselshell	80.00	16.00	-80.00	16.37	4.00	-75.56
Park	28.00	31.00	10.71	2.13	2.65	24.61
Petroleum	------	------	------	-----	-----	------
Phillips	9.00	9.00	------	1.49	1.70	13.72
Pondera	------	------	------	-----	-----	------
Powder River	------	------	------	-----	-----	------
Powell	43.00	44.00	2.33	6.14	5.87	- 4.47
Prairie	------	------	------	-----	-----	------
Ravalli	3.00	3.00	------	.24	.22	-10.57
Richland	------	------	------	-----	-----	------
Roosevelt	------	------	------	-----	-----	------
Rosebud	------	------	------	-----	-----	------
Sanders	9.00	9.00	------	1.31	1.36	4.24
Sheridan	1.00	------	------	.15	-----	------
Silver Bow	165.00	169.00	2.42	3.55	3.70	4.11
Stillwater	6.00	5.00	-16.67	1.09	1.04	- 4.06
Sweet Grass	------	3.00	------	-----	1.00	------
Teton	------	------	------	-----	-----	------
Toole	------	------	------	-----	-----	------
Treasure	------	------	------	-----	-----	------
Valley	------	------	------	-----	-----	------
Wheatland	------	------	------	-----	-----	------
Wibaux	------	------	------	-----	-----	------
Yellowstone	------	------	------	-----	-----	------

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.10

Taxable Value of Improvements on Patented Mining Claims
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960 (000)	Total Taxable Value 1968 (000)	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 6.60	$ 5.10	-22.73	$ .92	$ .65	-29.63
Big Horn	--------	-----	------	-----	-----	------
Blaine	--------	-----	------	-----	-----	-----
Broadwater	7.80	6.30	-19.23	2.78	2.42	-12.89
Carbon	10.80	-----	------	1.30	-----	------
Carter	--------	-----	------	-----	-----	------
Cascade	9.00	11.70	30.00	.12	.14	18.27
Chouteau	--------	-----	------	-----	-----	------
Custer	--------	-----	------	-----	-----	------
Daniels	--------	-----	------	-----	-----	------
Dawson	--------	-----	------	-----	-----	------
Deer Lodge	--------	-----	------	-----	-----	------
Fallon	--------	-----	------	-----	-----	------
Fergus	2.10	.30	-85.71	.15	.02	-85.28
Flathead	--------	-----	------	-----	-----	------
Gallatin	--------	-----	------	-----	-----	------
Garfield	--------	-----	------	-----	-----	------
Glacier	--------	-----	------	-----	-----	------
Golden Valley	--------	-----	------	-----	-----	------
Granite	21.30	19.80	- 7.04	7.07	6.83	- 3.39
Hill	--------	-----	------	-----	-----	------
Jefferson	29.10	31.80	9.28	6.77	6.24	- 7.93
Judith Basin	4.50	2.40	-46.67	1.46	.77	-46.92
Lake	--------	-----	------	-----	-----	------
Lewis and Clark	32.10	12.00	-62.62	1.15	.37	-67.59
Liberty	--------	-----	------	-----	-----	------
Lincoln	--------	-----	------	-----	-----	------
McCone	14.70	6.30	-57.14	2.82	1.09	-61.50
Madison	--------	-----	------	-----	-----	------
Meagher	.60	1.20	100.00	.23	.52	127.48
Mineral	--------	-----	------	-----	-----	------
Missoula	8.10	9.60	18.52	.18	.17	- 3.93
Musselshell	--------	-----	------	-----	-----	------
Park	12.00	3.30	-72.50	.91	.28	-69.05
Petroleum	--------	-----	------	-----	-----	------
Phillips	5.40	-----	------	.90	-----	------
Pondera	--------	-----	------	-----	-----	------
Powder River	--------	-----	------	-----	-----	------
Powell	2.10	3.00	42.86	.30	.40	33.37
Prairie	--------	-----	------	-----	-----	------
Ravalli	--------	-----	------	-----	-----	------
Richland	--------	-----	------	-----	-----	------
Roosevelt	--------	-----	------	-----	-----	------
Rosebud	--------	-----	------	-----	-----	------
Sanders	.60	.30	-50.00	.09	.05	-47.88
Sheridan	--------	-----	------	-----	-----	------
Silver Bow	1,463.40	47.10	-96.78	31.50	1.03	-96.73
Stillwater	1.20	1.80	50.00	.22	.38	72.69
Sweet Grass	--------	-----	------	-----	-----	------
Teton	--------	-----	------	-----	-----	------
Toole	--------	-----	------	-----	-----	------
Treasure	--------	-----	------	-----	-----	------
Valley	--------	-----	------	-----	-----	------
Wheatland	--------	-----	------	-----	-----	------
Wibaux	--------	-----	------	-----	-----	------
Yellowtone	--------	-----	------	-----	-----	------

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.11

Taxable Value of Reserve Rights of Entry
Total, Per Capita, and Percent Change
By County
1960 to 1968

	Total Taxable Value			Taxable Value Per Capita		
County	1960	1968	Percent Change	1960	1968	Percent Change
	(000)					
Beaverhead	$------	$------	------	$-----	$-----	------
Big Horn	4.00	5.00	25.00	.40	.49	22.63
Blaine	------	------	------	-----	-----	------
Broadwater	9.00	5.00	-44.44	3.21	1.92	-40.09
Carbon	4.00	8.00	100.00	.48	1.08	124.78
Carter	4.00	13.00	225.00	1.60	6.50	305.11
Cascade	8.00	8.00	------	.11	.10	- 9.02
Chouteau	------	------	------	-----	-----	------
Custer	106.00	107.00	.94	8.01	7.75	- 3.25
Daniels	------	------	------	-----	-----	------
Dawson	138.00	85.00	-38.41	11.21	7.20	-35.72
Deer Lodge	------	------	------	-----	-----	------
Fallon	55.00	55.00	------	13.76	12.22	-11.18
Fergus	1.00	3.00	200.00	.07	.22	209.22
Flathead	9.00	4.00	-55.56	.27	.10	-61.55
Gallatin	2.00	4.00	100.00	.08	.14	78.39
Garfield	94.00	97.00	3.19	47.45	51.05	7.59
Glacier	------	------	------	-----	-----	------
Golden Valley	23.00	67.00	191.30	19.12	55.83	192.03
Granite	1.00	1.00	------	.33	.34	3.93
Hill	------	------	------	-----	-----	------
Jefferson	1.00	1.00	------	.23	.20	-15.75
Judith Basin	26.00	26.00	------	8.43	8.39	- 0.48
Lake	------	------	------	-----	-----	------
Lewis and Clark	------	9.00	------	-----	.28	------
Liberty	------	------	------	-----	-----	------
Lincoln	2.00	2.00	------	.16	.11	-29.96
McCone	7.00	7.00	------	1.34	1.21	-10.16
Madison	77.00	80.00	3.90	23.19	25.00	7.82
Meagher	11.00	15.00	36.36	4.20	6.52	55.10
Mineral	10.00	6.00	-40.00	3.29	1.82	-44.78
Missoula	38.00	25.00	-34.21	.85	.45	-46.67
Musselshell	142.00	167.00	17.61	29.05	41.75	43.71
Park	5.00	6.00	20.00	.38	.51	35.06
Petroleum	6.00	4.00	-33.33	6.71	5.00	-25.50
Phillips	------	------	------	-----	-----	------
Pondera	------	------	------	-----	-----	------
Powder River	57.00	58.00	1.75	22.94	22.31	- 2.75
Powell	11.00	10.00	- 9.09	1.57	1.33	-15.13
Prairie	55.00	62.00	12.73	23.73	31.00	30.65
Ravalli	7.00	7.00	------	.57	.51	-10.57
Richland	48.00	51.00	6.25	4.57	4.77	4.30
Roosevelt	------	4.00	------	-----	.36	------
Rosebud	154.00	155.00	.65	24.89	24.60	-1.16
Sanders	4.00	3.00	-25.00	.58	.45	-21.82
Sheridan	------	1.00	------	-----	.17	------
Silver Bow	------	------	------	-----	-----	------
Stillwater	6.00	7.00	16.67	1.09	1.46	34.31
Sweet Grass	13.00	13.00	------	3.95	4.33	9.67
Teton	7.00	8.00	14.29	.96	1.33	38.95
Toole	------	------	------	-----	-----	------
Treasure	7.00	7.00	------	5.20	5.83	12.08
Valley	------	------	------	-----	-----	------
Wheatland	15.00	15.00	------	4.96	5.36	8.07
Wibaux	31.00	33.00	6.45	18.26	20.63	12.97
Yellowstone	15.00	15.00	-----	.19	18	- 2.93

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth, Montana State Board of Equalization.

TABLE A9.12

Taxable Value of City and Town Lots
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value		Percent Change	Taxable Value Per Capita		Percent Change
	1960	1968		1960	1968	
	(000)					
Beaverhead	$ 151.50	$ 277.20	82.97	$21.06	$35.09	66.62
Big Horn	114.90	230.10	100.26	11.48	22.56	96.47
Blaine	142.50	170.70	19.79	17.61	22.46	27.53
Broadwater	37.20	48.00	29.03	13.27	18.46	39.16
Carbon	240.00	171.90	-28.38	28.86	23.23	-19.50
Carter	17.10	31.50	84.21	6.86	15.75	129.62
Cascade	4,710.90	6,012.30	27.63	64.17	74.50	16.11
Chouteau	93.00	201.00	116.13	12.66	31.41	148.14
Custer	516.30	616.50	19.41	39.03	44.67	14.45
Daniels	49.20	83.10	68.90	13.10	25.18	92.19
Dawson	390.60	564.00	44.39	31.72	47.80	50.68
Deer Lodge	549.90	564.90	2.73	29.50	37.16	25.98
Fallon	109.20	180.30	65.11	27.32	40.07	46.65
Fergus	533.10	617.70	15.87	38.03	45.42	19.43
Flathead	991.20	2,850.60	187.59	30.07	74.82	148.83
Gallatin	1,107.00	1,234.50	11.52	42.50	42.28	-0.53
Garfield	12.90	24.30	88.37	6.51	12.79	96.40
Glacier	225.30	365.10	62.05	19.48	30.43	56.18
Golden Valley	12.60	14.40	14.29	10.47	12.00	14.57
Granite	42.90	40.20	-6.29	14.23	13.86	-2.61
Hill	737.70	864.60	17.20	39.55	56.14	41.96
Jefferson	33.60	81.60	142.86	7.82	16.00	104.62
Judith Basin	34.80	35.70	2.59	11.28	11.52	2.09
Lake	210.60	267.90	27.21	16.07	18.73	16.57
Lewis & Clark	1,304.70	1,922.10	47.32	46.59	59.51	27.74
Liberty	41.10	58.20	41.61	15.66	26.45	68.90
Lincoln	258.30	692.70	168.18	20.60	38.70	87.83
McCone	58.50	75.00	28.21	11.23	12.93	15.19
Madison	32.10	57.90	80.37	9.67	18.09	87.19
Meagher	51.00	85.80	68.24	19.50	37.30	91.35
Mineral	19.20	82.50	329.69	6.32	25.00	295.44
Missoula	1,719.30	5,170.80	200.75	38.49	93.84	143.78
Musselshell	61.20	87.60	43.14	12.52	21.90	74.91
Park	519.60	851.70	63.91	39.46	72.79	84.48
Petroleum	7.50	7.50	------	8.39	9.37	11.75
Phillips	84.90	226.80	167.14	14.09	42.79	203.78
Pondera	259.50	256.20	-1.27	33.91	39.42	16.24
Powder River	8.40	36.00	328.57	3.38	13.85	309.62
Powell	187.20	171.00	-8.65	26.74	22.80	-14.72
Prairie	35.10	33.90	-3.42	15.14	16.95	11.94
Ravalli	120.60	265.20	119.90	9.77	19.22	96.65
Richland	117.30	475.80	305.63	11.17	44.47	298.20
Roosevelt	107.40	263.70	145.53	9.16	23.76	159.49
Rosebud	142.20	83.10	-41.56	22.98	13.19	-42.61
Sanders	106.80	144.00	34.83	15.52	21.82	40.55
Sheridan	100.80	102.60	1.79	15.61	17.10	9.56
Silver Bow	2,632.80	2,443.80	-7.18	56.68	53.47	-5.65
Stillwater	83.70	109.20	30.47	15.15	22.75	50.20
Sweet Grass	88.80	128.40	44.59	26.99	42.80	58.57
Teton	96.30	197.70	105.30	13.20	32.95	149.61
Toole	135.30	304.50	125.06	17.12	46.85	173.67
Treasure	14.40	11.40	-20.83	10.71	9.50	-11.27
Valley	265.50	429.90	61.92	15.54	33.59	116.06
Wheatland	54.30	73.20	34.81	17.94	26.14	45.69
Wibaux	34.20	31.50	-7.89	20.14	19.69	-2.25
Yellowstone	3,893.40	7,874.40	102.25	49.27	96.74	96.33

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.13

Taxable Value of Improvements on City and Town Lots
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960	Total Taxable Value 1968	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
	(000)					
Beaverhead	$ 843.30	$ 1,664.40	97.37	$117.22	$210.68	79.73
Big Horn	798.00	1,285.80	61.13	79.74	126.06	58.08
Blaine	911.10	931.80	2.27	112.61	122.61	8.88
Broadwater	327.90	423.30	29.09	116.94	162.81	39.22
Carbon	812.70	1,259.40	54.96	97.72	170.19	74.17
Carter	178.80	188.70	5.54	71.72	94.35	31.55
Cascade	19,469.10	25,734.60	32.18	265.18	318.89	20.25
Chouteau	575.10	967.50	68.23	78.27	151.17	93.15
Custer	3,048.00	3,543.90	16.27	230.44	256.80	11.44
Daniels	408.30	582.30	72.42	108.74	176.45	62.28
Dawson	1,591.20	2,755.20	73.15	129.22	233.49	80.69
Deer Lodge	2,787.60	2,228.40	-20.06	149.55	146.61	-1.97
Fallon	516.30	824.10	59.62	129.17	183.13	41.77
Fergus	1,891.80	3,181.20	68.16	134.96	233.91	73.33
Flathead	5,241.90	8,906.10	69.90	159.01	233.76	47.00
Gallatin	5,255.40	6,947.40	32.20	201.78	237.92	17.91
Garfield	59.70	135.00	126.13	30.14	71.05	135.77
Glacier	1,250.40	2,017.20	61.32	108.12	168.10	55.48
Golden Valley	63.30	128.40	102.84	52.62	107.00	103.35
Granite	318.90	4,382.80	20.04	105.81	132.00	24.76
Hill	3,519.90	335.60	23.17	188.70	281.53	49.19
Jefferson	412.80	490.80	18.90	96.07	96.24	.18
Judith Basin	235.50	358.50	52.23	76.34	115.65	51.49
Lake	803.40	1,510.80	88.05	61.31	105.65	72.32
Lewis & Clark	7,387.20	11,498.70	55.66	263.77	356.00	34.96
Liberty	312.00	372.30	19.33	118.90	169.23	42.32
Lincoln	884.10	2,553.60	188.84	70.52	142.66	102.30
McCone	315.90	773.10	144.73	60.62	133.29	119.88
Madison	214.50	340.50	58.74	64.59	106.41	64.74
Meagher	332.40	385.50	15.97	127.06	167.61	31.91
Mineral	183.00	420.00	129.51	60.26	127.27	111.22
Missoula	8,719.80	17,552.70	101.30	195.24	318.56	63.17
Musselshell	629.10	718.50	14.21	128.70	179.63	39.57
Park	2,699.10	2,868.30	6.27	204.97	245.15	19.60
Petroleum	47.40	60.00	26.58	53.02	75.00	41.46
Phillips	627.30	941.70	50.12	104.08	177.68	70.71
Pondera	1,344.60	1,456.50	8.32	175.70	224.08	27.54
Powder River	147.00	296.40	101.63	59.15	114.00	92.71
Powell	809.10	835.20	3.23	115.55	111.36	-3.63
Prairie	292.80	371.70	26.95	126.32	185.85	47.13
Ravalli	909.90	1,603.20	76.20	73.73	116.17	57.57
Richland	1,305.90	1,933.50	48.06	124.32	180.70	45.35
Roosevelt	1,231.80	1,697.40	37.80	105.00	152.92	45.63
Rosebud	688.50	660.00	-4.14	111.28	104.76	-5.86
Sanders	556.50	1,041.60	87.17	80.89	157.82	95.11
Sheridan	724.80	1,009.50	39.28	112.23	168.25	49.91
Silver Bow	9,610.50	9,244.80	-3.81	206.88	202.29	-2.22
Stillwater	556.50	722.70	29.87	100.71	150.56	49.51
Sweet Grass	471.60	588.30	24.75	143.34	196.10	36.80
Teton	899.10	1,154.70	28.43	123.25	192.45	56.15
Toole	1,058.40	1,391.10	31.43	133.91	214.02	59.82
Treasure	93.30	122.40	31.19	69.37	102.00	47.04
Valley	492.80	2,508.00	68.01	87.40	195.94	124.18
Wheatland	1,447.60	483.60	8.04	147.92	172.71	16.76
Wibaux	156.90	1,926.00	1,127.53	92.40	1,203.75	1,202.72
Yellowstone	24,885.60	--------	--------	314.94	--------	--------

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.14

Taxable Value of All Livestock
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value		Percent Change	Taxable Value Per Capita		Percent Change
	1960	1968		1960	1968	
	(000)					
Beaverhead	$2,251.75	$2,606.72	15.76	$313.00	$329.97	5.42
Big Horn	2,026.31	1,952.71	-3.63	202.49	191.44	-5.46
Blaine	1,142.86	1,362.64	19.23	141.25	179.29	26.93
Broadwater	525.81	606.06	15.26	187.52	233.10	24.31
Carbon	870.79	1,008.66	15.83	104.70	136.30	30.19
Carter	1,126.21	1,268.73	12.66	451.75	634.36	40.42
Cascade	1,146.19	1,387.61	21.06	15.61	17.19	10.14
Chouteau	947.38	1,080.25	14.02	128.93	168.79	30.91
Custer	1,065.27	1,123.88	5.50	80.54	81.44	1.12
Daniels	219.78	335.33	52.58	58.53	101.62	73.61
Dawson	576.09	789.21	36.99	46.78	66.88	42.96
Deer Lodge	86.58	227.77	163.08	4.64	14.99	222.62
Fallon	456.54	659.01	44.35	114.22	146.45	28.21
Fergus	1,513.49	1,875.79	23.94	107.97	137.93	27.75
Flathead	388.61	528.80	36.08	11.79	13.88	17.74
Gallatin	908.76	1,146.85	26.20	34.89	39.28	12.56
Garfield	928.74	1,412.92	52.13	468.82	743.64	58.62
Glacier	444.22	529.80	19.27	38.41	44.15	14.94
Golden Valley	402.26	466.20	15.89	334.38	388.50	16.18
Granite	482.52	551.78	14.35	160.09	190.27	18.85
Hill	454.88	504.83	10.98	24.39	32.78	34.42
Jefferson	340.99	394.61	15.72	79.36	77.37	-2.50
Judith Basin	862.14	1,074.59	24.64	279.46	346.64	24.04
Lake	806.19	1,187.14	47.25	61.52	83.02	34.94
Lewis & Clark	771.23	915.08	18.65	27.54	28.33	2.88
Liberty	216.12	263.40	21.88	82.36	119.73	45.37
Lincoln	137.53	170.16	23.73	10.97	9.51	-13.34
McCone	1,231.77	1,459.87	18.52	236.38	251.70	6.48
Madison	456.88	770.56	68.66	137.57	240.80	75.04
Meagher	1,027.64	1,143.52	11.28	392.83	497.18	26.57
Mineral	26.31	34.96	32.91	8.66	10.60	22.32
Missoula	312.69	289.71	-7.35	7.00	5.26	-24.90
Musselshell	557.44	630.70	13.14	114.04	157.68	38.26
Park	866.47	1,001.33	15.56	65.80	85.58	30.06
Petroleum	490.84	572.76	16.69	549.04	715.95	30.40
Phillips	1,293.70	1,578.75	22.03	214.65	297.88	38.77
Pondera	358.64	562.44	56.82	46.86	86.53	84.64
Powder River	1,240.42	1,296.37	4.51	499.16	498.60	-0.11
Powell	637.36	759.24	19.12	91.03	101.23	11.21
Prairie	488.84	632.37	29.36	210.89	316.18	49.93
Ravalli	781.22	1,033.97	32.35	63.30	74.93	18.36
Richland	506.49	857.14	69.23	48.22	80.11	66.13
Roosevelt	397.94	555.44	39.58	33.92	50.04	47.52
Rosebud	1,261.07	1,353.31	7.31	203.83	214.81	5.39
Sanders	394.27	509.82	29.31	57.31	77.25	34.79
Sheridan	297.37	475.19	59.80	46.05	79.20	72.00
Silver Bow	88.91	83.58	-5.99	1.91	1.83	-4.44
Stillwater	776.89	956.71	23.15	140.59	199.31	41.77
Sweet Grass	912.75	983.68	7.77	277.43	327.89	18.19
Teton	779.89	992.34	27.24	106.91	165.39	54.70
Toole	300.37	390.61	30.04	38.00	60.09	58.13
Treasure	342.32	408.59	19.36	254.52	340.49	33.78
Valley	979.69	1,387.28	41.60	57.36	108.38	88.95
Wheatland	583.08	692.64	18.79	192.69	247.37	28.38
Wibaux	261.41	395.27	51.21	153.95	247.04	60.47
Yellowstone	1,529.14	1,565.77	2.40	19.35	19.24	-0.60

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.15

Taxable Value of Household Goods; Furniture, Fixtures, Jewelry
Total, Per Capita, and Percent Change
By County
1960 to 1968

	Total Taxable Value (000)			Taxable Value Per Capita		
County	1960	1968	Percent Change	1960	1968	Percent Change
Beaverhead	$ 172.80	$ 256.40	48.38	$24.02	$32.46	35.12
Big Horn	170.00	161.20	-5.18	16.99	15.80	-6.97
Blaine	158.40	157.40	-0.63	19.58	20.71	5.79
Broadwater	81.40	84.60	3.93	29.03	32.54	12.09
Carbon	185.20	183.60	-0.86	22.27	24.81	11.42
Carter	66.80	54.60	-18.26	26.80	27.30	1.88
Cascade	1,314.00	1,691.40	28.72	17.90	20.96	17.11
Chouteau	161.80	237.40	46.72	22.02	37.09	68.46
Custer	307.40	340.80	10.87	23.24	24.70	6.26
Daniels	120.80	113.20	-6.29	32.17	34.30	6.63
Dawson	271.80	276.40	1.69	22.07	23.42	6.12
Deer Lodge	216.80	184.20	-15.04	11.63	12.12	4.19
Fallon	62.40	70.00	12.18	15.61	15.56	-0.36
Fergus	421.20	426.60	1.28	30.05	31.37	4.39
Flathead	730.80	756.20	3.48	22.17	19.85	-10.47
Gallatin	357.80	484.40	35.38	13.74	16.59	20.76
Garfield	52.40	70.20	33.97	26.45	36.95	39.68
Glacier	140.20	131.60	-6.13	12.12	10.97	-9.54
Golden Valley	42.80	33.60	-21.50	35.58	28.00	-21.30
Granite	61.00	61.40	.66	20.24	21.17	4.61
Hill	529.60	400.80	-24.32	28.39	26.03	-8.33
Jefferson	72.40	68.80	-4.97	16.85	13.49	-19.93
Judith Basin	90.00	91.60	1.78	29.17	29.55	1.29
Lake	195.20	249.40	27.77	14.90	17.44	17.08
Lewis & Clark	790.20	646.80	-18.15	28.22	20.02	-29.03
Liberty	112.80	78.60	-30.32	42.99	35.73	-16.89
Lincoln	178.60	212.00	18.70	14.25	11.84	-16.86
McCone	123.00	132.40	7.64	23.60	22.83	-3.29
Madison	69.60	55.20	-20.69	20.96	17.25	-17.69
Meagher	57.20	56.60	-1.05	21.87	24.61	12.55
Mineral	37.40	49.60	32.62	12.31	15.03	22.05
Missoula	882.40	1,104.60	25.18	19.76	20.05	1.47
Musselshell	123.00	120.80	-1.79	25.16	30.20	20.01
Park	295.60	290.20	-1.83	22.45	24.80	10.49
Petroleum	84.00	30.80	-63.33	93.96	38.50	-59.03
Phillips	158.00	165.00	4.43	26.22	31.13	18.76
Pondera	275.80	310.20	12.47	36.04	47.72	32.42
Powder River	73.00	77.00	5.48	29.38	29.62	.81
Powell	118.80	102.60	-13.64	16.97	13.68	-19.37
Prairie	63.60	71.00	11.64	27.44	35.50	29.39
Ravalli	226.40	275.40	21.64	18.35	19.96	8.78
Richland	181.20	176.20	-2.76	17.25	16.47	-4.54
Roosevelt	196.40	260.60	32.69	16.74	23.48	40.23
Rosebud	200.40	168.20	-16.07	32.39	26.70	-17.57
Sanders	125.80	139.00	10.49	18.28	21.06	15.18
Sheridan	200.60	169.40	-15.55	31.06	28.23	-9.11
Silver Bow	495.40	443.40	-10.50	10.66	9.70	-9.02
Stillwater	220.80	184.80	-16.30	39.96	38.50	-3.65
Sweet Grass	126.60	113.20	-10.58	38.48	37.73	-1.94
Teton	234.40	196.40	-16.21	32.13	32.73	1.87
Toole	198.80	155.60	-21.73	25.15	23.94	-4.82
Treasure	34.00	36.60	7.65	25.28	30.50	20.65
Valley	376.20	384.00	2.07	22.03	30.00	36.20
Wheatland	57.80	56.80	-1.73	19.10	20.29	6.20
Wibaux	40.40	37.40	-7.43	23.79	23.38	-1.76
Yellowstone	1,745.60	2,291.80	31.29	22.09	28.15	27.44

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.16

Taxable Value of Farm Machinery and Equipment
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960 (000)	Total Taxable Value 1968 (000)	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 171.40	$ 388.40	126.60	$ 23.83	$ 49.16	106.35
Big Horn	410.60	487.80	18.80	41.03	47.82	16.55
Blaine	386.00	422.20	9.38	47.71	55.55	16.44
Broadwater	196.20	241.20	22.94	69.97	92.77	32.58
Carbon	387.80	353.80	-8.77	46.63	47.81	2.54
Carter	167.80	165.80	-1.19	67.31	82.90	23.16
Cascade	614.20	743.60	21.07	8.37	9.21	10.14
Chouteau	1,548.00	2,165.60	39.90	210.67	338.38	60.62
Custer	122.20	122.20	--------	9.24	8.86	-4.15
Daniels	387.80	522.80	34.81	103.28	158.42	53.40
Dawson	382.20	488.00	27.68	31.04	41.36	33.24
Deer Lodge	7.60	22.20	192.11	.41	1.46	258.21
Fallon	172.80	248.40	43.75	43.23	55.20	27.68
Fergus	823.80	1,043.80	26.71	58.77	76.75	30.60
Flathead	304.20	205.20	-32.54	9.23	5.39	-41.64
Gallatin	451.20	547.60	21.37	17.32	18.75	8.25
Garfield	136.80	163.40	19.44	69.06	86.00	24.54
Glacier	193.20	234.80	21.53	16.71	19.57	17.13
Golden Valley	98.60	107.20	8.72	81.96	89.33	8.99
Granite	78.20	90.80	16.11	25.95	31.31	20.68
Hill	1,111.40	972.60	-12.49	59.58	63.16	6.00
Jefferson	70.40	62.60	-11.08	16.38	12.27	-25.08
Judith Basin	457.40	514.00	12.37	148.27	165.81	11.83
Lake	166.60	240.40	44.30	12.71	16.81	32.23
Lewis & Clark	176.80	130.80	-26.02	6.31	4.05	-35.85
Liberty	451.80	565.40	25.14	172.18	257.00	49.26
Lincoln	50.20	36.60	-27.09	4.00	2.04	-48.94
McCone	199.40	269.60	35.21	38.27	26.48	21.48
Madison	342.80	473.80	38.21	103.22	148.06	43.44
Meagher	87.60	89.80	2.51	33.49	39.04	16.60
Mineral	13.00	13.00	--------	4.28	3.94	-7.97
Missoula	107.40	78.00	-27.37	2.40	1.42	-41.13
Musselshell	104.40	122.60	17.43	21.36	30.65	43.50
Park	193.60	214.20	10.64	14.70	18.31	24.52
Petroleum	1.20	92.00	7,566.67	1.34	115.00	8,467.50
Phillips	435.60	434.60	-0.23	72.27	82.00	13.46
Pondera	825.80	939.00	13.71	107.91	144.46	33.88
Powder River	178.00	205.20	15.28	71.63	78.92	10.18
Powell	93.20	98.40	5.58	13.31	13.12	-1.43
Prairie	167.00	238.60	42.87	72.04	119.30	65.59
Ravalli	206.80	222.40	7.54	16.76	16.12	-3.83
Richland	422.00	450.00	6.64	40.18	42.06	4.68
Roosevelt	521.00	715.80	37.39	44.41	64.49	45.20
Rosebud	193.00	253.40	31.30	31.19	40.22	28.94
Sanders	75.00	118.40	57.87	10.90	17.94	64.56
Sheridan	582.00	763.80	31.24	90.12	127.30	41.25
Silver Bow	4.20	5.40	28.57	.09	.12	30.69
Stillwater	364.00	439.80	20.82	65.87	91.63	39.10
Sweet Grass	209.80	198.80	-5.24	63.77	66.27	3.92
Teton	789.20	878.20	11.28	108.18	146.37	35.29
Toole	762.20	895.20	17.45	96.45	137.72	42.82
Treasure	60.80	68.60	12.82	45.20	57.17	26.48
Valley	718.40	863.80	20.24	42.06	67.48	60.44
Wheatland	48.00	110.20	119.58	15.86	39.36	148.17
Wibaux	162.20	199.60	23.06	95.52	124.75	30.60
Yellowstone	540.80	592.40	9.54	6.84	7.28	6.33

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.17

Taxable Value of Machinery Other Than Farm Machinery
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960	Total Taxable Value 1968	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
	(000)					
Beaverhead	$ 84.40	$ 78.60	-6.87	$11.73	$ 9.95	-15.19
Big Horn	17.20	153.80	794.19	1.72	15.08	777.27
Blaine	41.40	59.20	43.00	5.12	7.79	52.23
Broadwater	35.80	84.80	136.87	12.77	32.62	155.46
Carbon	74.20	15.40	-79.25	8.92	2.08	-76.67
Carter	------	5.80	------	-----	2.90	------
Cascade	389.00	486.20	24.99	5.30	6.02	13.71
Chouteau	122.00	15.00	-87.70	16.60	2.34	-85.88
Custer	104.20	64.80	-37.81	7.88	4.70	-40.39
Daniels	28.60	25.60	-10.49	7.62	7.76	1.85
Dawson	15.60	295.00	1,791.03	1.27	25.00	1,873.40
Deer Lodge	17.00	65.80	287.06	.91	4.33	374.66
Fallon	43.20	34.00	-21.30	10.81	7.56	-30.09
Fergus	96.40	101.60	5.39	6.88	7.47	8.63
Flathead	617.40	1,011.00	63.75	18.73	26.54	41.68
Gallatin	75.60	234.40	210.05	2.90	8.03	176.55
Garfield	21.00	73.40	249.52	10.60	38.63	264.42
Glacier	30.20	113.00	274.17	2.61	9.42	260.61
Golden Valley	4.20	12.80	204.76	3.49	10.67	205.52
Granite	110.40	91.60	-17.03	36.63	31.59	-13.77
Hill	125.00	46.00	-63.20	6.70	2.99	-55.43
Jefferson	4.80	170.80	3,458.33	1.12	33.49	2,898.07
Judith Basin	25.20	10.00	-60.32	8.17	3.23	-60.51
Lake	26.80	92.20	244.03	2.05	6.45	215.26
Lewis & Clark	166.40	147.80	-11.18	5.94	4.58	-22.99
Liberty	10.00	59.00	490.00	3.81	26.82	603.71
Lincoln	327.00	2,032.40	521.53	26.08	113.54	335.31
McCone	3.80	41.20	984.21	.73	7.10	874.11
Madison	19.00	11.40	-40.00	5.72	3.56	-37.73
Meagher	71.20	42.00	-41.01	27.22	18.26	-32.91
Mineral	60.80	83.80	37.83	20.02	25.39	26.84
Missoula	76.80	253.00	229.43	1.72	4.59	167.03
Musselshell	59.40	36.60	-38.38	12.15	9.15	-24.71
Park	165.00	41.80	-74.67	12.53	3.57	-71.49
Petroleum	.20	44.40	2,100.00	.22	55.50	4,708.50
Phillips	41.00	18.80	-54.15	6.80	3.55	-47.86
Pondera	7.00	68.00	871.43	.91	10.46	1,043.75
Powder River	22.60	143.60	535.40	9.09	55.23	507.29
Powell	84.00	36.80	-56.19	12.00	4.91	-59.10
Prairie	37.00	8.00	-78.38	15.96	4.00	-74.94
Ravalli	49.20	95.60	94.31	3.99	6.93	73.77
Richland	62.40	71.80	15.06	5.94	6.71	12.96
Roosevelt	31.60	51.40	62.66	2.69	4.63	71.90
Rosebud	41.80	22.20	-46.89	6.76	3.52	-47.84
Sanders	295.60	385.00	30.24	42.97	58.33	35.77
Sheridan	12.20	28.00	129.51	1.89	4.67	147.03
Silver Bow	450.80	1,178.40	161.40	9.70	25.79	165.71
Stillwater	14.40	21.80	51.39	2.61	4.54	74.29
Sweet Grass	20.60	23.20	12.62	6.26	7.73	23.51
Teton	25.80	33.00	27.91	3.54	5.50	55.51
Toole	59.20	34.00	-42.57	7.49	5.23	-30.16
Treasure	13.80	13.20	-4.35	10.26	11.00	7.21
Valley	183.20	126.00	-31.22	10.73	9.84	-8.23
Wheatland	19.80	25.40	28.28	6.54	9.07	38.64
Wibaux	8.40	8.40	------	4.95	5.25	6.12
Yellowstone	640.00	821.20	28.31	8.10	10.09	24.55

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.18

Taxable Value of Solvent Credits
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value		Percent Change	Taxable Value Per Capita		Percent Change
	1960	1968		1960	1968	
	(000)					
Beaverhead	$ 42.56	$ 28.21	-33.72	$ 5.92	$ 3.57	-39.64
Big Horn	23.94	38.92	62.57	2.39	3.82	59.50
Blaine	2.31	2.66	15.15	.29	.35	22.59
Broadwater	10.15	6.93	-31.72	3.62	2.67	-26.37
Carbon	3.64	6.86	88.46	.44	.93	111.82
Carter	.49	.07	-85.71	.20	.03	-82.19
Cascade	1,029.70	713.23	-30.73	14.03	8.84	-36.98
Chouteau	21.14	12.11	-42.72	2.88	1.89	-34.23
Custer	29.61	27.16	-8.27	2.24	1.97	-12.08
Daniels	48.79	35.70	-26.83	12.99	10.82	-16.74
Dawson	41.51	21.42	-48.40	3.37	1.82	-46.15
Deer Lodge	45.71	67.83	48.39	2.45	4.46	81.98
Fallon	1.05	1.33	26.67	.26	.30	12.51
Fergus	36.47	27.72	-23.99	2.60	2.04	-21.66
Flathead	92.40	45.78	-50.45	2.80	1.20	-57.13
Gallatin	22.33	26.18	17.24	.86	.90	4.57
Garfield	.49	3.78	671.43	.25	1.99	704.32
Glacier	16.59	9.38	-43.46	1.43	.78	-45.51
Golden Valley	11.48	6.65	-42.07	9.54	5.54	-41.93
Granite	4.69	5.67	20.90	1.56	1.96	25.65
Hill	72.87	48.37	-33.62	3.91	3.14	-19.60
Jefferson	2.52	1.61	-36.11	.59	.32	-46.17
Judith Basin	4.90	4.97	1.43	1.59	1.60	.94
Lake	2.73	.63	-76.92	.21	.04	-78.85
Lewis & Clark	226.24	182.07	-19.52	8.08	5.64	-30.22
Liberty	4.90	4.20	-14.29	1.87	1.91	2.23
Lincoln	39.06	46.69	19.53	3.12	2.61	-16.28
McCone	2.17	1.33	-38.71	.42	.23	-44.93
Madison	4.69	5.32	13.43	1.41	1.66	17.72
Meagher	5.32	1.82	-65.79	2.03	.79	-61.09
Mineral	--------	--------	------	-----	-----	------
Missoula	491.12	323.61	-34.11	11.00	5.87	-46.59
Musselshell	.70	.70	------	.14	.18	22.20
Park	22.54	23.31	3.42	1.71	1.99	16.39
Petroleum	.77	.28	-63.64	.86	.35	-59.36
Phillips	14.70	22.05	50.00	2.44	4.16	70.58
Pondera	19.81	49.21	148.41	2.59	7.57	192.47
Powder River	1.33	1.40	5.26	.54	.54	.61
Powell	7.14	11.97	67.65	1.02	1.60	56.52
Prairie	15.33	9.52	-37.90	6.61	4.76	-28.03
Ravalli	3.36	.84	-75.00	.27	.06	-77.64
Richland	10.15	100.24	887.59	.97	9.37	869.50
Roosevelt	46.83	38.08	-18.68	3.99	3.43	-14.06
Rosebud	16.10	7.98	-50.43	2.60	1.27	-51.32
Sanders	1.40	.84	-40.00	.20	.13	-37.45
Sheridan	84.07	90.79	7.99	13.02	15.13	16.24
Silver Bow	375.34	195.16	-48.00	8.08	4.27	-47.15
Stillwater	11.06	2.10	-81.01	2.00	.44	-78.14
Sweet Grass	9.45	8.96	-5.19	2.87	2.99	3.98
Teton	18.76	23.10	23.13	2.57	3.85	49.71
Toole	45.50	22.26	-51.08	5.76	3.42	-40.51
Treasure	4.76	.14	-97.06	3.54	.12	-96.70
Valley	72.87	66.57	-8.65	4.27	5.20	21.90
Wheatland	.07	.14	100.00	.02	.05	116.14
Wibaux	.14	--------	------	.08	-----	------
Yellowstone	1,484.91	1,174.18	-20.93	18.79	14.42	-23.24

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.19

Taxable Value of Agricultural Products not Classified as Merchandise
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value (000)		Percent Change	Taxable Value Per Capita		Percent Change
	1960	1968		1960	1968	
Beaverhead	$ 1.19	$ .70	- 41.18	$ .17	$ .09	- 46.43
Big Horn	74.48	77.42	3.95	7.44	7.59	1.98
Blaine	50.54	55.37	9.56	6.25	7.29	16.63
Broadwater	20.02	13.72	- 31.47	7.14	5.28	- 26.09
Carbon	5.46	1.75	- 67.95	.66	.24	- 63.98
Carter	2.10	13.09	523.33	.84	6.54	676.98
Cascade	233.66	146.09	- 37.48	3.18	1.81	- 43.12
Chouteau	539.07	486.99	- 9.66	73.36	76.09	3.72
Custer	2.38	------	--------	.18	------	--------
Daniels	113.96	106.33	- 6.70	30.35	32.22	6.17
Dawson	.84	101.64	2,000.00	.07	8.61	2,527.00
Deer Lodge	------	------	--------	------	------	--------
Fallon	1.12	------	--------	.28	------	--------
Fergus	227.36	121.17	- 46.71	16.22	8.91	- 45.07
Flathead	8.47	14.49	71.07	.26	.38	48.02
Gallatin	62.65	31.50	- 49.72	2.41	1.08	- 55.15
Garfield	2.80	15.89	467.50	1.41	8.36	491.69
Glacier	28.91	23.73	- 17.92	2.50	1.98	- 20.89
Golden Valley	11.13	8.40	- 24.53	9.25	7.00	- 24.34
Granite	------	------	--------	------	------	--------
Hill	442.68	316.75	- 28.45	23.73	20.57	- 13.33
Jefferson	.07	------	--------	.02	------	--------
Judith Basin	122.22	61.60	- 49.60	39.62	19.87	- 49.84
Lake	3.15	------	--------	.24	------	--------
Lewis and Clark	.35	1.40	300.00	.01	.04	246.82
Liberty	182.00	184.10	1.15	69.36	83.68	20.65
Lincoln	4.69	------	--------	.37	------	--------
McCone	1.05	.21	- 80.00	.20	.04	- 82.03
Madison	13.51	359.31	2,559.59	4.07	112.28	2,660.15
Meagher	2.03	.07	- 96.55	.78	.03	- 96.08
Mineral	------	------	--------	------	------	--------
Missoula	------	3.01	--------	------	.05	--------
Musselshell	13.23	6.02	- 54.50	2.71	1.51	- 44.40
Park	7.35	1.26	- 82.86	.56	.11	- 80.71
Petroleum	------	------	--------	------	------	--------
Phillips	40.67	29.96	- 26.33	6.75	5.65	- 16.23
Pondera	244.79	215.11	- 12.12	31.99	33.09	3.46
Powder River	13.44	17.43	29.69	5.41	6.70	23.95
Powell	------	------	--------	------	------	--------
Prairie	7.84	31.22	298.21	3.38	15.61	361.53
Ravalli	.35	.07	- 80.00	.03	.01	- 82.11
Richland	21.07	------	--------	2.01	------	--------
Roosevelt	86.17	82.04	- 4.79	7.35	7.39	.62
Rosebud	7.07	14.28	101.98	1.14	2.27	98.36
Sanders	-------	------	--------	------	------	--------
Sheridan	158.55	176.12	11.08	24.55	29.35	19.56
Silver Bow	-------	------	--------	------	------	--------
Stillwater	9.87	56.35	470.92	1.79	11.74	557.27
Sweet Grass	--------	------	--------	------	------	--------
Teton	196.21	145.18	- 26.01	26.90	24.20	- 10.04
Toole	74.13	153.37	106.89	9.38	23.60	151.58
Treasure	.63	.42	- 33.33	.47	.35	- 25.28
Valley	110.67	211.75	91.33	6.48	16.54	155.31
Wheatland	24.85	2.24	- 90.99	8.21	.80	- 90.26
Wibaux	9.38	32.06	241.79	5.52	20.04	262.73
Yellowstone	54.32	60.83	11.98	.69	.75	8.70

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization

TABLE A9.20

Taxable Value of Goods, Wares, and Merchandise
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960 (000)	Total Taxable Value 1968 (000)	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 261.41	$ 318.68	21.91	$36.34	$40.34	11.02
Big Horn	359.64	418.91	16.48	35.94	41.07	14.28
Blaine	206.46	160.17	-22.42	25.52	21.08	-17.41
Broadwater	76.59	50.62	-33.91	27.31	19.47	-28.73
Carbon	163.84	115.88	-29.27	19.70	15.66	-20.50
Carter	46.62	29.30	-37.14	18.70	14.65	-21.65
Cascade	3,380.95	3,424.90	1.30	46.05	42.44	-7.84
Chouteau	255.74	218.78	-14.45	34.80	34.18	-1.78
Custer	411.92	405.93	-1.46	31.14	29.42	-5.55
Daniels	164.50	129.87	-21.05	43.81	39.35	-10.17
Dawson	537.46	530.80	-1.24	43.65	44.98	3.06
Deer Lodge	340.66	293.04	-13.98	18.28	19.28	5.49
Fallon	93.57	144.19	54.09	23.41	32.04	36.87
Fergus	429.90	485.51	12.94	30.67	35.70	16.41
Flathead	1,194.47	1,057.61	-11.46	36.23	27.76	-23.39
Gallatin	891.11	877.79	-1.49	34.21	30.06	-12.14
Garfield	33.30	42.62	28.00	16.81	22.43	33.46
Glacier	377.95	495.50	31.10	32.68	41.29	26.35
Golden Valley	20.31	15.98	-21.31	16.89	13.32	-21.11
Granite	68.93	69.26	.48	22.87	23.88	4.43
Hill	698.30	633.70	-9.25	37.44	41.15	9.92
Jefferson	47.62	91.91	93.01	11.08	18.02	62.62
Judith Basin	122.88	97.90	-20.33	39.83	31.58	-20.71
Lake	267.07	353.98	32.54	20.38	24.75	21.46
Lewis & Clark	1,418.91	1,828.84	28.89	50.66	56.62	11.76
Liberty	116.22	81.58	-29.80	44.29	37.08	-16.27
Lincoln	460.54	739.59	60.59	36.73	41.32	12.48
McCone	107.89	106.89	-0.93	20.70	18.43	-10.99
Madison	60.94	63.27	3.83	18.35	19.77	7.75
Meagher	91.91	55.28	-39.86	35.13	24.03	-31.59
Mineral	101.57	54.28	-46.56	33.44	16.45	-50.82
Missoula	2,336.33	2,045.95	-12.43	52.31	37.13	-29.02
Musselshell	153.51	104.23	-32.10	31.41	26.06	-17.03
Park	323.01	272.39	-15.67	24.53	23.28	-5.09
Petroleum	22.64	15.98	-29.41	25.33	19.98	-21.12
Phillips	211.45	210.12	-0.63	35.08	39.65	13.00
Pondera	342.99	352.65	2.82	44.82	54.25	21.05
Powder River	52.95	45.29	-14.47	21.31	17.42	-18.25
Powell	112.22	89.24	-20.47	16.03	11.90	-25.76
Prairie	94.91	77.59	-18.25	40.94	38.79	-5.25
Ravalli	209.46	268.73	28.30	16.97	19.47	14.73
Richland	620.71	667.33	7.51	59.09	62.35	5.54
Roosevelt	297.37	366.97	23.40	25.35	33.06	30.42
Rosebud	120.55	126.21	4.70	19.48	20.03	2.82
Sanders	175.82	208.13	18.37	25.56	31.53	23.39
Sheridan	230.44	211.79	-8.09	35.68	35.30	-1.08
Silver Bow	1,667.33	1,619.38	-2.88	35.89	35.43	-1.27
Stillwater	144.86	114.55	-20.92	26.21	23.87	-8.96
Sweet Grass	126.87	97.57	-23.10	38.56	32.52	-15.66
Teton	278.05	231.10	-16.89	38.12	38.52	1.05
Toole	304.36	296.70	-2.52	38.51	45.65	18.54
Treasure	35.96	31.30	-12.96	26.74	26.08	-2.45
Valley	473.19	549.12	16.05	27.70	42.90	54.85
Wheatland	68.60	53.95	-21.36	22.67	19.27	-15.01
Wibaux	51.95	32.30	-37.82	30.59	20.19	-34.01
Yellowstone	7,697.96	8,826.16	14.66	97.42	108.43	11.30

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.21

Taxable Value of Office and Store Furniture and Fixtures
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960 (000)	Total Taxable Value 1968 (000)	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 80.25	$ 146.19	82.16	$11.16	$18.50	65.88
Big Horn	89.24	96.57	8.21	8.92	9.47	6.16
Blaine	51.62	57.61	11.61	6.38	7.58	18.82
Broadwater	28.97	27.64	-4.60	10.33	10.63	2.89
Carbon	51.95	48.95	-5.77	6.25	6.61	5.91
Carter	9.99	12.32	23.33	4.01	6.16	53.73
Cascade	1,223.11	1,772.56	44.92	16.66	21.96	31.85
Chouteau	54.95	51.95	-5.45	7.48	8.12	8.55
Custer	140.19	177.16	26.37	10.60	12.84	21.12
Daniels	23.31	23.64	1.43	6.21	7.16	15.41
Dawson	165.50	279.72	69.01	13.44	23.71	76.38
Deer Lodge	174.83	132.87	-24.00	9.38	8.74	-6.80
Fallon	29.97	48.29	61.11	7.50	10.73	43.10
Fergus	141.52	182.82	29.18	10.10	13.44	33.15
Flathead	341.99	515.48	50.73	10.37	13.53	30.42
Gallatin	240.43	421.25	75.21	9.23	14.43	56.28
Garfield	7.66	15.98	108.70	3.87	8.41	117.59
Glacier	157.84	168.16	6.54	13.65	14.01	2.68
Golden Valley	4.00	4.33	8.33	3.32	3.61	8.60
Granite	40.63	40.63	------	13.48	14.01	3.93
Hill	232.77	222.78	-4.29	12.48	14.47	15.92
Jefferson	32.30	45.29	40.21	7.52	8.88	18.13
Judith Basin	19.31	29.97	55.17	6.26	9.67	54.42
Lake	78.59	93.57	19.07	6.00	6.54	9.11
Lewis & Clark	468.86	585.08	24.79	16.74	18.11	8.20
Liberty	45.29	26.97	-40.44	17.26	12.26	-28.96
Lincoln	53.61	111.55	108.07	4.28	6.23	45.73
McCone	43.96	58.94	34.09	8.44	10.16	20.47
Madison	8.99	7.66	-14.81	2.71	2.39	-11.59
Meagher	28.64	27.97	-2.33	10.95	12.16	11.09
Mineral	19.65	32.63	66.10	6.47	9.89	52.86
Missoula	469.20	493.51	5.18	10.51	8.96	-14.74
Musselshell	45.62	49.62	8.76	9.33	12.40	32.90
Park	157.84	162.84	3.16	11.99	13.92	16.11
Petroleum	3.33	3.30	-10.00	3.72	3.75	.57
Phillips	72.59	73.59	1.38	12.04	13.89	15.28
Pondera	97.24	104.89	7.88	12.71	16.14	27.01
Powder River	15.98	34.30	114.58	6.43	13.19	10[illegible]09
Powell	33.63	37.63	11.88	4.80	5.02	4.45
Prairie	14.32	17.98	25.58	6.18	8.99	45.55
Ravalli	86.58	115.55	33.46	7.02	8.37	19.35
Richland	73.26	75.59	3.18	6.97	7.06	1.29
Roosevelt	94.24	113.89	20.85	8.03	10.26	27.72
Rosebud	66.93	77.26	15.42	10.82	12.26	13.35
Sanders	56.28	52.28	-7.10	8.18	7.92	-3.16
Sheridan	44.62	41.29	-7.46	6.91	6.88	-0.40
Silver Bow	762.57	637.69	-16.38	16.42	13.95	-15.00
Stillwater	38.63	46.62	20.69	6.99	9.71	38.94
Sweet Grass	42.29	35.30	-16.54	12.85	11.77	-8.47
Teton	56.94	47.62	-16.37	7.81	7.94	1.67
Toole	83.25	97.90	17.60	10.53	15.06	43.00
Treasure	6.66	6.33	-5.00	4.95	5.27	6.48
Valley	173.16	251.75	45.38	10.14	19.67	94.00
Wheatland	26.64	31.63	18.75	8.80	11.30	28.33
Wibaux	16.32	14.65	-10.20	9.61	9.16	-4.70
Yellowstone	1,481.18	2,075.92	40.15	18.75	25.50	36.05

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.22

Taxable Value of Manufacturing Machinery
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960 (000)	Total Taxable Value 1968 (000)	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 15.90	$ 126.00	692.45	$ 2.21	$ 15.95	621.63
Big Horn	30.60	8.70	- 71.57	3.06	.85	- 72.11
Blaine	74.40	52.50	- 29.44	9.20	6.91	- 24.88
Broadwater	18.60	24.30	30.65	6.63	9.35	40.90
Carbon	13.80	18.00	30.43	1.66	2.43	46.60
Carter	3.60	15.00	316.67	1.44	7.50	419.37
Cascade	2,846.50	3,012.00	5.82	38.77	37.32	- 3.73
Chouteau	1.80	6.00	233.33	.24	.94	282.71
Custer	13.20	4.80	- 63.64	1.00	.35	- 65.15
Daniels	.30	2.70	800.00	.08	.82	924.09
Dawson	153.00	181.80	18.82	12.42	15.41	24.00
Deer Lodge	3,233.70	3,511.80	8.60	173.48	231.04	33.18
Fallon	14.40	75.60	425.00	3.60	16.80	366.32
Fergus	51.00	53.70	5.29	3.64	3.95	8.53
Flathead	2,847.60	3,969.00	39.38	86.38	104.17	20.60
Gallatin	242.10	209.70	- 13.38	9.30	7.18	- 22.74
Garfield	--------	--------	--------	------	------	---------
Glacier	182.10	3.00	- 98.35	15.75	.25	- 98.41
Golden Valley	8.40	--------	--------	6.98	------	---------
Granite	15.60	474.90	2,944.23	5.18	163.76	3,063.90
Hill	67.80	26.70	- 60.62	3.63	1.73	- 52.30
Jefferson	17.70	615.90	3,379.66	4.12	120.76	2,831.78
Judith Basin	--------	--------	--------	------	------	---------
Lake	109.80	126.60	15.30	8.38	8.85	5.66
Lewis and Clark	434.10	343.80	- 20.80	15.50	10.64	- 31.33
Liberty	3.90	--------	--------	1.49	------	---------
Lincoln	345.00	720.60	108.87	27.52	40.26	46.29
McCone	6.60	.90	- 86.36	1.27	.16	- 87.75
Madison	--------	--------	--------	------	------	---------
Meagher	70.50	49.50	- 29.79	26.95	21.52	- 20.14
Mineral	105.60	64.20	- 39.20	34.77	19.45	- 44.05
Missoula	978.90	2,094.00	113.91	21.92	38.00	73.39
Musselshell	3.90	5.70	46.15	.80	1.42	78.60
Park	123.90	56.10	- 54.72	9.41	4.79	- 49.04
Petroleum	70.50	--------	--------	78.86	------	---------
Phillips	10.50	17.40	65.71	1.74	3.28	88.45
Pondera	88.80	53.10	- 40.20	11.60	8.17	- 29.60
Powder River	--------	--------	--------	------	------	---------
Powell	36.60	33.60	- 8.20	5.23	4.48	- 14.29
Prairie	--------	--------	--------	------	------	---------
Ravalli	64.80	90.90	40.28	5.25	6.59	25.45
Richland	18.60	249.60	1,241.94	1.77	23.33	1,217.35
Roosevelt	220.80	103.50	- 53.13	18.82	9.32	- 50.46
Rosebud	1.20	13.80	1,050.00	.19	2.19	1,029.37
Sanders	1,203.00	972.60	- 19.15	174.85	147.36	- 15.72
Sheridan	7.20	261.90	3,537.50	1.11	43.65	3,815.16
Silver Bow	885.90	1,303.80	47.17	19.07	28.53	49.60
Stillwater	19.50	28.20	44.62	3.53	5.88	66.49
Sweet Grass	--------	4.80	--------	------	1.60	---------
Teton	6.60	13.20	100.00	.90	2.20	143.17
Toole	213.30	120.30	- 43.60	26.99	18.51	- 31.42
Treasure	--------	--------	--------	------	------	---------
Valley	41.40	42.60	2.90	2.42	3.33	37.31
Wheatland	2.70	11.40	322.22	.89	4.07	356.30
Wibaux	--------	--------	--------	------	------	---------
Yellowstone	1,236.30	1,423.20	15.12	15.65	17.48	11.75

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.23

Taxable Value of Mining Machinery
Total, Per Capita, and Percent Change
By County
1960 to 1968

	Total Taxable Value		Percent	Taxable Value Per Capita		Percent
County	1960	1968	Charge	1960	1968	Change
	(000)					
Beaverhead	$ 42.30	$ 39.60	- 6.38	$ 5.88	$ 5.01	- 14.75
Big Horn	---------	---------	---------	-----	------	---------
Blaine	---------	73.20	---------	-----	9.63	---------
Broadwater	22.80	4.20	- 81.58	8.13	1.62	- 80.13
Carbon	18.30	13.20	- 27.87	2.20	1.78	- 18.93
Carter	---------	---------	---------	-----	------	---------
Cascade	13.80	3.30	- 76.09	.19	.04	- 78.24
Chouteau	---------	---------	---------	-----	------	---------
Custer	---------	---------	---------	-----	------	---------
Daniels	---------	---------	---------	-----	------	---------
Dawson	---------	7.50	---------	-----	.64	---------
Deer Lodge	12.60	386.70	2,969.05	.68	25.44	3,663.62
Fallon	---------	---------	---------	-----	------	---------
Fergus	10.50	9.00	- 14.29	.75	.66	- 11.65
Flathead	1.80	---------	---------	.05	------	---------
Gallatin	2.70	37.80	1,300.00	.10	1.29	1,148.73
Garfield	---------	---------	---------	-----	------	---------
Glacier	---------	---------	---------	-----	------	---------
Golden Valley	---------	---------	---------	-----	------	---------
Granite	80.40	138.00	71.64	26.68	47.59	78.39
Hill	---------	---------	---------	-----	------	---------
Jefferson	21.00	32.70	55.71	4.89	6.41	31.20
Judith Basin	29.10	10.20	- 64.95	9.43	3.29	- 65 12
Lake	---------	---------	---------	-----	------	---------
Lewis and Clark	39.30	4.50	- 88.55	1.40	.14	- 90.07
Liberty	---------	---------	---------	-----	------	---------
Lincoln	55.20	103.80	88.04	4.40	5.80	31.70
McCone	15.60	9.60	- 38.46	2.99	1.66	- 44.71
Madison	---------	---------	---------	-----	------	---------
Meagher	7.50	3.30	- 56.00	2.87	1.43	- 49.95
Mineral	7.50	9.90	32.00	2.47	3.00	21.48
Missoula	---------	1.20	---------	-----	.02	---------
Musselshell	38.70	49.80	28.68	7.92	12.45	57.25
Park	8.40	.60	- 92.86	.64	.05	- 91.96
Petroleum	---------	---------	---------	-----	------	---------
Phillips	17.70	---------	---------	2.94	------	---------
Pondera	---------	---------	---------	-----	------	---------
Powder River	6.60	5.70	- 13.64	2.66	2.19	- 17.46
Powell	78.30	86.70	10.73	11.18	11.56	3.38
Prairie	---------	---------	---------	-----	------	---------
Ravalli	19.50	30.60	56.92	1.58	2.22	40.33
Richland	6.90	---------	---------	.66	------	---------
Roosevelt	---------	---------	---------	-----	------	---------
Rosebud	76.50	77.40	1.18	12.36	12.29	- 0.64
Sanders	1.20	2.40	100.00	.17	.36	108.48
Sheridan	---------	.30	---------	-----	.05	---------
Silver Bow	2,970.30	5,115.30	72.21	63.94	111.93	75.06
Stillwater	173.10	---------	---------	31.32	------	---------
Sweet Grass	---------	---------	---------	-----	------	---------
Teton	---------	---------	---------	-----	------	---------
Toole	---------	---------	---------	-----	------	---------
Treasure	---------	---------	---------	-----	------	---------
Valley	---------	---------	---------	-----	------	---------
Wheatland	---------	---------	---------	-----	------	---------
Wibaux	---------	---------	---------	-----	------	---------
Yellowstone	---------	---------	---------	-----	------	---------

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.24

Taxable Value of Drilling Rigs and Oil Equipment
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960	Total Taxable Value 1968	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
	(000)					
Beaverhead	$------	$------	------	$-----	$-----	------
Big Horn	17.10	11.40	-33.33	1.71	1.12	-34.59
Blaine	------	12.00	------	-----	1.58	------
Broadwater	------	------	------	-----	-----	------
Carbon	99.90	59.40	-40.54	12.01	8.03	-33.17
Carter	52.50	54.00	2.86	21.06	27.00	28.21
Cascade	------	------	------	-----	-----	------
Chouteau	------	24.30	------	-----	3.80	------
Custer	------	------	------	-----	-----	------
Daniels	22.50	20.10	-10.67	5.99	6.09	1.65
Dawson	132.60	------	------	10.77	-----	------
Deer Lodge	------	------	------	-----	-----	------
Fallon	366.60	537.00	46.48	91.72	119.33	30.11
Fergus	20.40	8.40	-58.82	1.46	.62	-57.56
Flathead	------	------	------	-----	-----	------
Gallatin	------	------	------	-----	-----	------
Garfield	65.70	33.00	-49.77	33.17	17.37	-47.63
Glacier	545.40	704.40	29.15	47.16	58.70	24.47
Golden Valley	2.10	------	------	1.75	-----	------
Granite	------	------	------	-----	-----	------
Hill	------	------	------	-----	-----	------
Jefferson	------	------	------	-----	-----	------
Judith Basin	.90	------	------	.29	-----	------
Lake	------	------	------	-----	-----	------
Lewis & Clark	------	------	------	-----	-----	------
Liberty	20.70	64.50	211.59	7.89	29.32	271.65
Lincoln	------	------	------	-----	-----	------
McCone	------	------	------	-----	-----	------
Madison	23.70	54.00	127.85	7.14	16.88	136.46
Meagher	------	------	------	-----	-----	------
Mineral	------	------	------	-----	-----	------
Missoula	------	16.80	------	-----	.30	------
Musselshell	168.30	258.90	53.83	34.43	64.73	87.98
Park	------	------	------	-----	-----	------
Petroleum	42.60	51.30	20.42	47.65	64.13	34.57
Phillips	13.20	5.40	-59.09	2.19	1.02	-53.48
Pondera	108.00	219.60	103.33	14.11	33.78	139.40
Powder River	------	776.70	------	-----	298.73	------
Powell	------	------	------	-----	-----	------
Prairie	40.20	53.10	32.09	17.34	26.55	53.09
Ravalli	------	------	------	-----	-----	------
Richland	------	------	------	-----	-----	------
Roosevelt	37.50	151.80	304.80	3.20	13.68	327.81
Rosebud	291.90	186.30	-36.18	47.18	29.57	-37.32
Sanders	------	------	------	-----	-----	------
Sheridan	82.20	46.20	-43.80	12.73	7.70	-39.51
Silver Bow	------	------	------	-----	-----	------
Stillwater	4.20	------	------	.76	-----	------
Sweet Grass	------	------	------	-----	-----	------
Teton	100.20	56.10	-44.01	13.74	9.35	-31.93
Toole	369.90	409.50	10.71	46.80	63.00	34.62
Treasure	------	------	------	-----	-----	------
Valley	------	12.00	------	-----	.94	------
Wheatland	------	1.50	------	-----	.54	------
Wibaux	------	22.50	------	-----	14.06	------
Yellowstone	------	26.40	------	-----	.32	------

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.25

Taxable Value of Bank Stock
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960 (000)	Total Taxable Value 1968 (000)	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
Beaverhead	$ 153.90	$ 136.50	-11.31	$21.39	$17.28	-19.23
Big Horn	74.70	176.40	136.14	7.46	17.29	131.68
Blaine	101.10	136.50	35.01	12.50	17.96	43.74
Broadwater	36.90	33.00	-10.57	13.16	12.69	-3.55
Carbon	130.20	198.00	52.07	15.65	26.76	70.92
Carter	28.50	27.30	-4.21	11.43	13.65	19.40
Cascade	864.00	995.10	15.17	11.77	12.33	4.78
Chouteau	117.90	188.70	60.05	16.05	29.48	83.76
Custer	185.10	200.70	8.43	13.99	14.54	3.93
Daniels	31.50	47.70	51.43	8.39	14.45	72.31
Dawson	104.10	85.80	-17.58	8.45	7.27	-13.99
Deer Lodge	115.80	179.10	54.66	6.21	11.78	89.67
Fallon	95.70	76.50	-20.06	23.94	17.00	-29.00
Fergus	256.50	397.20	54.85	18.30	29.21	59.61
Flathead	391.50	417.90	6.74	11.88	10.97	-7.64
Gallatin	321.60	407.70	26.77	12.35	13.96	13.07
Garfield	--------	26.40	------	-----	13.89	------
Glacier	98.40	209.10	112.50	8.51	17.42	104.80
Golden Valley	--------	--------	------	-----	-----	------
Granite	16.20	48.30	198.15	5.37	16.66	209.87
Hill	353.40	435.60	23.26	18.95	28.29	49.30
Jefferson	21.00	37.20	77.14	4.89	7.29	49.25
Judith Basin	24.30	36.60	50.62	7.88	11.81	49.89
Lake	125.40	240.60	91.87	9.57	16.83	75.82
Lewis & Clark	242.10	348.30	43.87	8.64	10.78	24.74
Liberty	39.30	53.10	35.11	14.98	24.14	61.15
Lincoln	44.70	117.60	163.09	3.57	6.57	84.26
McCone	37.80	81.30	115.08	7.25	14.02	93.24
Madison	56.40	62.40	10.64	16.98	19.50	14.82
Meagher	19.50	25.80	32.31	7.45	11.22	50.49
Mineral	--------	17.10	------	-----	5.18	------
Missoula	313.20	281.70	-10.06	7.01	5.11	-27.09
Musselshell	5.10	7.50	47.06	1.04	1.88	79.71
Park	132.90	108.60	-18.28	10.09	9.28	-8.03
Petroleum	--------	--------	------	-----	-----	------
Phillips	83.10	151.20	81.95	13.79	28.53	106.91
Pondera	128.70	300.30	133.33	16.82	46.20	174.72
Powder River	42.90	60.90	21.96	17.26	23.42	35.68
Powell	97.50	134.70	38.15	13.92	17.96	28.98
Prairie	47.40	53.40	12.66	20.45	26.70	30.57
Ravalli	125.70	120.30	-4.30	10.19	8.72	-14.41
Richland	195.00	275.40	41.23	18.56	25.74	38.64
Roosevelt	198.30	212.10	6.96	16.90	19.11	13.04
Rosebud	40.20	67.50	67.91	6.50	10.71	64.90
Sanders	54.90	121.20	120.77	7.98	18.36	130.13
Sheridan	94.50	151.50	60.32	14.63	25.25	72.56
Silver Bow	666.90	785.40	17.77	14.36	17.19	19.71
Stillwater	50.40	133.20	164.29	9.12	27.75	204.26
Sweet Grass	68.70	130.50	89.96	20.88	43.50	108.32
Teton	103.80	130.20	25.43	14.23	21.70	52.51
Toole	190.80	201.00	5.35	24.14	30.92	28.10
Treasure	33.30	45.90	37.84	24.76	38.25	54.49
Valley	83.10	216.30	160.29	4.87	16.90	247.32
Wheatland	78.60	96.30	22.52	25.97	34.39	32.41
Wibaux	37.80	44.10	16.67	22.26	27.56	23.81
Yellowstone	1,050.60	1,569.90	49.43	13.30	19.29	45.05

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.26

Taxable Value of Bank Surplus or "Moneyed Capital"
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value (000)		Percent Change	Taxable Value Per Capita		Percent Change
	1960	1968		1960	1968	
Beaverhead	$ 17.50	$ 36.75	110.00	$2.43	$4.65	91.23
Big Horn	14.00	28.00	100.00	1.40	2.75	96.22
Blaine	14.35	22.40	56.10	1.77	2.95	66.18
Broadwater	3.50	5.25	50.00	1.25	2.02	61.77
Carbon	19.25	31.85	65.45	2.31	4.30	85.96
Carter	3.50	7.00	100.00	1.40	3.50	149.30
Cascade	135.38	386.26	185.32	1.84	4.79	159.57
Chouteau	15.75	33.25	111.11	2.14	5.20	142.38
Custer	24.50	66.57	171.71	1.85	4.82	160.43
Daniels	3.50	8.75	150.00	.93	2.65	184.47
Dawson	25.55	38.50	50.68	2.07	3.26	57.25
Deer Lodge	17.50	23.24	32.80	.94	1.53	62.85
Fallon	9.45	19.25	103.70	2.36	4.28	80.93
Fergus	33.32	70.70	112.18	2.38	5.20	118.71
Flathead	86.80	116.90	34.68	2.63	3.07	16.53
Gallatin	64.75	109.55	69.19	2.49	3.75	50.91
Garfield	------	7.00	------	----	3.68	------
Glacier	17.71	34.86	96.84	1.53	2.90	89.70
Golden Valley	------	------	------	----	----	------
Granite	3.50	7.00	100.00	1.16	2.41	107.86
Hill	42.07	75.60	79.70	2.26	4.91	117.66
Jefferson	1.75	7.63	336.00	.41	1.50	267.35
Judith Basin	5.25	8.75	66.67	1.70	2.82	65.86
Lake	14.00	35.00	150.00	1.07	2.45	129.09
Lewis & Clark	102.62	201.88	96.73	3.66	6.25	70.57
Liberty	5.25	7.00	33.33	2.00	3.18	59.03
Lincoln	7.00	26.25	275.00	.56	1.47	162.65
McCone	5.25	13.58	158.67	1.01	2.34	132.40
Madison	10.50	10.50	------	3.16	3.28	3.78
Meagher	3.50	8.75	150.00	1.34	3.80	184.35
Mineral	------	5.04	-----	----	1.53	------
Missoula	55.30	158.55	186.71	1.24	2.88	132.40
Musselshell	5.25	8.75	66.67	1.07	2.19	103.67
Park	18.34	42.07	129.39	1.39	3.60	158.17
Petroleum	------	------	------	----	----	------
Phillips	10.50	14.00	33.33	1.74	2.64	51.62
Pondera	17.50	33.25	90.00	2.29	5.12	123.70
Powder River	5.60	10.50	87.50	2.25	4.04	79.21
Powell	14.07	24.50	74.13	2.01	3.27	62.57
Prairie	2.80	11.20	300.00	1.21	5.60	363.60
Ravalli	16.45	35.00	112.77	1.33	2.54	90.27
Richland	15.75	24.50	55.56	1.50	2.29	52.71
Roosevelt	26.25	51.10	94.67	2.24	4.60	105.73
Rosebud	7.00	12.60	80.00	1.13	2.00	76.77
Sanders	12.25	21.00	71.43	1.78	3.18	78.70
Sheridan	19.04	28.00	47.06	2.95	4.67	58.28
Silver Bow	------	199.36	------	----	4.36	------
Stillwater	10.50	27.30	160.00	1.90	5.69	199.32
Sweet Grass	7.00	7.00	------	2.13	2.33	9.67
Teton	7.70	19.60	154.55	1.06	3.27	209.48
Toole	21.00	42.00	100.00	2.66	6.46	143.20
Treasure	3.50	7.00	100.00	2.60	5.83	124.17
Valley	41.30	63.49	53.73	2.42	4.96	105.13
Wheatland	3.50	7.00	100.00	1.16	2.50	116.14
Wibaux	5.25	10.50	100.00	3.09	6.56	112.25
Yellowstone	204.75	368.90	80.17	2.59	4.53	74.89

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.27

Taxable Value of Airplanes
Total, Per Capita, and Percent Change
By County
1960 to 1968

	Total Taxable Value		Percent	Taxable Value Per Capita		Percent
County	1960	1968	Change	1960	1968	Change
	(000)					
Beaverhead	$ 5.60	$ 10.80	92.86	$ .78	$1.37	75.62
Big Horn	5.00	21.00	320.00	.50	2.06	312.05
Blaine	5.60	22.00	292.86	.69	2.89	318.24
Broadwater	.40	3.00	650.00	.14	1.15	708.85
Carbon	3.40	10.20	200.00	.41	1.38	237.18
Carter	2.00	4.20	110.00	.80	2.10	161.77
Cascade	36.40	138.20	279.67	.50	1.71	245.41
Chouteau	18.80	23.80	26.60	2.56	3.72	45.35
Custer	19.40	32.40	67.01	1.47	2.35	60.08
Daniels	6.40	5.20	-18.75	1.70	1.58	-7.55
Dawson	3.40	20.80	511.76	.28	1.76	538.41
Deer Lodge	------	2.00	------	----	.13	------
Fallon	1.20	3.80	216.67	.30	.84	181.27
Fergus	7.60	52.00	584.21	.54	3.82	605.24
Flathead	10.60	43.60	311.32	.32	1.14	255.88
Gallatin	19.60	37.40	90.82	.75	1.28	70.20
Garfield	1.40	9.00	542.86	.71	4.74	570.26
Glacier	25.80	16.60	-35.66	2.23	1.38	-37.99
Golden Valley	1.40	.40	-71.43	1.16	.33	-71.36
Granite	.20	1.20	500.00	.07	.41	523.59
Hill	16.20	26.40	62.96	.87	1.71	97.39
Jefferson	------	------	------	----	----	------
Judith Basin	.80	2.80	250.00	.26	.90	248.31
Lake	3.00	20.00	566.67	.23	1.40	510.91
Lewis & Clark	7.20	58.20	708.33	.26	1.80	600.87
Liberty	.80	9.00	1,025.00	.30	4.09	1,241.82
Lincoln	3.60	9.80	172.22	.29	.55	90.66
McCone	2.60	8.40	223.08	.50	1.45	190.27
Madison	2.40	3.60	50.00	.72	1.12	55.67
Meagher	.80	8.20	925.00	.31	3.57	1,065.83
Mineral	------	.20	------	----	.06	------
Missoula	34.00	79.20	132.94	.76	1.44	88.82
Musselshell	4.60	7.20	56.52	.94	1.80	91.27
Park	.80	18.20	2,175.00	.06	1.56	2,460.44
Petroleum	------	.60	------	----	.75	------
Phillips	4.00	16.60	315.00	.66	3.13	371.93
Pondera	3.20	22.00	587.50	.42	3.38	709.45
Powder River	1.60	9.20	475.00	.64	3.54	449.57
Powell	------	1.20	------	----	.16	------
Prairie	1.40	1.20	-14.29	.60	.60	-0.66
Ravalli	.80	14.00	1,650.00	.06	1.01	1,464.98
Richland	1.20	15.60	1,200.00	.11	1.46	1,176.19
Roosevelt	7.60	17.20	126.32	.65	1.55	139.18
Rosebud	2.00	7.40	270.00	.32	1.17	263.36
Sanders	4.00	8.00	100.00	.58	1.21	108.48
Sheridan	4.00	14.00	250.00	.62	2.33	276.72
Silver Bow	24.00	20.20	-15.83	.52	.44	-14.44
Stillwater	10.60	11.00	3.77	1.92	2.29	19.47
Sweet Grass	10.60	9.00	-15.09	3.22	3.00	-6.89
Teton	3.20	10.60	231.25	.44	1.77	302.74
Toole	14.00	27.00	92.86	1.77	4.15	134.51
Treasure	------	3.80	------	----	3.17	------
Valley	10.20	30.80	201.96	.60	2.41	302.93
Wheatland	1.20	5.80	383.33	.40	2.07	422.35
Wibaux	.20	------	------	.12	----	------
Yellowstone	129.80	206.80	59.32	1.64	2.54	54.66

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.28

Taxable Value of Motor Vehicles
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value (000)		Percent	Taxable Value Per Capita		Percent
	1960	1968	Change	1960	1968	Change
Beaverhead	$ 622.80	$ 782.40	25.63	$ 86.57	$ 99.04	14.40
Big Horn	695.40	868.20	24.85	69.49	85.12	22.49
Blaine	537.80	564.00	4.87	66.47	74.21	11.65
Broadwater	343.60	365.20	6.29	122.54	140.46	14.63
Carbon	525.80	694.40	32.07	63.22	93.84	48.43
Carter	227.00	224.60	-1.06	91.05	112.30	23.33
Cascade	4,140.40	6,715.40	62.19	56.39	83.21	47.56
Chouteau	834.80	994.60	19.14	113.61	155.41	36.79
Custer	849.60	1,014.60	19.42	64.23	73.52	14.46
Daniels	300.40	407.80	35.75	80.00	123.58	54.47
Dawson	994.00	1,118.20	12.49	80.72	94.76	17.40
Deer Lodge	826.20	888.40	7.53	44.32	58.45	31.86
Fallon	316.00	499.00	57.91	79.06	110.89	40.26
Fergus	991.80	1,260.60	27.10	70.75	92.69	31.01
Flathead	1,996.20	3,154.00	58.00	60.56	82.78	36.71
Gallatin	1,662.60	2,616.40	57.37	63.84	89.60	40.36
Garfield	216.40	253.00	16.91	109.24	133.16	21.90
Glacier	779.60	909.40	16.65	67.41	75.78	12.42
Golden Valley	142.20	128.40	-9.70	118.20	107.00	-9.48
Granite	244.20	360.80	47.75	81.02	124.41	53.56
Hill	1,417.60	1,379.00	-2.72	76.00	89.55	17.83
Jefferson	252.80	423.00	67.33	58.83	82.94	40.98
Judith Basin	378.20	404.00	6.82	122.59	130.32	6.30
Lake	821.80	1,306.40	58.97	62.71	91.36	45.67
Lewis $ Clark	1,779.00	2,649.00	48.90	63.52	82.01	29.11
Liberty	466.00	419.40	-10.00	177.59	190.64	7.35
Lincoln	895.40	1,922.60	114.72	71.42	107.41	50.39
McCone	342.40	462.00	34.93	65.71	79.66	21.23
Madison	325.40	373.20	14.69	97.98	116.63	19.03
Meagher	301.00	248.20	-17.54	115.06	107.91	-6.21
Mineral	240.80	265.40	10.22	79.29	80.42	1.43
Missoula	2,786.40	5,114.40	83.55	62.39	92.82	48.78
Musselshell	384.00	405.00	5.47	78.56	101.25	28.88
Park	869.00	995.60	14.57	65.99	85.09	28.94
Petroleum	121.20	97.80	-19.31	135.57	122.25	-9.83
Phillips	472.20	493.00	4.40	78.35	93.02	18.73
Pondera	671.00	785.00	16.99	87.68	120.77	37.74
Powder River	333.00	597.60	79.46	134.00	229.85	71.52
Powell	469.20	621.60	32.48	67.01	82.88	23.68
Prairie	208.20	222.60	6.92	89.82	111.30	23.92
Ravalli	818.80	1,305.40	59.43	66.35	94.59	42.57
Richland	730.20	985.80	35.00	69.52	92.13	32.53
Roosevelt	773.60	977.20	26.32	65.94	88.04	33.50
Rosebud	411.20	476.40	15.86	66.46	75.62	13.78
Sanders	565.20	628.40	11.18	82.15	95.21	15.90
Sheridan	489.80	715.60	46.10	75.84	119.27	57.25
Silver Bow	2,333.60	2,724.20	16.74	50.23	59.61	18.66
Stillwater	426.80	492.00	15.28	77.23	102.50	32.71
Sweet Grass	289.80	339.20	17.05	88.09	113.07	28.36
Teton	698.40	747.20	6.99	95.74	124.53	30.08
Toole	774.40	730.00	-5.73	97.98	112.31	14.63
Treasure	134.80	125.80	-6.68	100.22	104.83	4.60
Valley	1,291.00	1,140.20	-11.68	75.59	89.08	17.85
Wheatland	220.00	260.00	18.18	72.70	92.86	27.72
Wibaux	198.00	221.60	11.92	116.61	138.50	18.77
Yellowstone	5,760.00	7,539.80	30.90	72.90	92.63	27.07

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.29

Taxable Value of Watercraft
Total, Per Capita, and Percent Change
By County
1960 to 1968

	Total Taxable Value (000)			Taxable Value Per Capita		
County	1960	1968	Percent Change	1960	1968	Percent Change
Beaverhead	$ 1.60	$ 7.60	375.00	$ .22	$ .96	332.55
Big Horn	.60	6.40	966.67	.06	.63	946.48
Blaine	.40	2.00	400.00	.05	.26	432.30
Broadwater	2.00	1.00	-50.00	.71	.38	-46.08
Carbon	.20	3.40	1,600.00	.02	.46	1,810.66
Carter	-----	.20	--------	----	.10	--------
Cascade	.80	18.20	2,175.00	.01	.23	1,969.71
Chouteau	8.60	13.00	51.16	1.17	2.03	73.55
Custer	-----	5.00	--------	----	.36	--------
Daniels	.60	3.00	400.00	.16	.91	468.94
Dawson	-----	8.60	--------	----	.73	--------
Deer Lodge	1.40	15.60	1,014.29	.08	1.03	1,266.47
Fallon	-----	.80	--------	----	.18	--------
Fergus	4.40	9.20	109.09	.31	.68	115.52
Flathead	47.20	89.80	90.25	1.43	2.36	64.61
Gallatin	10.00	48.80	388.00	.38	1.67	335.27
Garfield	-----	4.20	--------	----	2.21	--------
Glacier	2.20	2.60	18.18	.19	.22	13.90
Golden Valley	.20	1.00	400.00	.17	.83	401.25
Granite	.40	1.00	150.00	.13	.34	159.83
Hill	6.00	6.60	10.00	.32	.43	33.24
Jefferson	.40	.40	--------	.09	.08	-15.75
Judith Basin	.40	3.20	700.00	.13	1.03	696.13
Lake	20.80	73.60	253.85	1.59	5.14	223.27
Lewis & Clark	36.80	57.80	57.07	1.31	1.79	36.18
Liberty	18.40	7.40	-59.78	7.01	3.36	-52.03
Lincoln	.80	22.00	2,650.00	.06	1.23	1,826.08
McCone	-----	2.00	--------	----	.34	--------
Madison	-----	5.00	--------	----	1.56	--------
Meagher	.20	.80	300.00	.08	.35	354.96
Mineral	.40	1.20	200.00	.13	.36	176.09
Missoula	2.60	27.40	953.85	.06	.50	754.23
Musselshell	-----	2.00	--------	----	.50	--------
Park	2.60	6.40	146.15	.20	.55	177.04
Petroleum	-----	.20	--------	----	.25	--------
Phillips	2.00	6.60	230.00	.33	1.25	275.27
Pondera	8.00	17.60	120.00	1.05	2.71	159.02
Powder River	-----	.20	--------	----	.08	--------
Powell	.80	6.80	750.00	.11	.91	693.56
Prairie	.20	1.20	500.00	.09	.60	595.40
Ravalli	.20	9.00	4,400.00	.02	.65	3,924.24
Richland	-----	6.40	--------	----	.60	--------
Roosevelt	1.20	13.60	1,033.33	.10	1.23	1,097.76
Rosebud	-----	3.60	--------	----	.57	--------
Sanders	2.60	8.60	230.77	.38	1.30	244.80
Sheridan	.40	1.80	350.00	.06	.30	384.35
Silver Bow	-----	5.80	--------	----	.13	--------
Stillwater	1.00	4.20	320.00	.18	.88	383.53
Sweet Grass	1.20	2.00	66.67	.36	.67	82.78
Teton	8.20	9.60	17.07	1.12	1.60	42.34
Toole	25.80	5.80	-77.52	3.26	.89	-72.66
Treasure	-----	.40	--------	----	.33	--------
Valley	9.20	31.60	243.48	.54	2.47	358.33
Wheatland	.20	1.40	600.00	.07	.50	565.50
Wibaux	-----	-----	--------	----	----	--------
Yellowstone	26.60	82.40	209.77	.34	1.01	200.70

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.30

Taxable Value of Property Other Than Public Utilities
Total, Per Capita, and Percent Change
By County
1960 to 1968

	Total Taxable Value			Taxable Value Per Capita		
County	1960	1968	Percent Change	1960	1968	Percent Change
	(000)					
Beaverhead	$ 7,022	$10,299	46.67	$ 976.09	$1,303.67	33.56
Big Horn	7,685	10,261	33.52	767.96	1,005.98	30.99
Blaine	6,993	7,706	10.20	864.29	1,013.95	17.32
Broadwater	3,074	3,349	8.95	1,096.29	1,288.08	17.49
Carbon	6,500	8,085	24.38	781.53	1,092.57	39.80
Carter	3,699	4,085	10.44	1,483.75	2,042.50	37.66
Cascade	49,152	62,583	27.33	669.48	775.50	15.84
Chouteau	11,766	15,438	31.21	1,601.25	2,412.19	50.64
Custer	9,160	10,789	17.78	692.52	781.81	12.89
Daniels	3,920	4,548	16.02	1,043.94	1,378.18	32.02
Dawson	8,300	11,553	39.19	674.03	979.07	45.26
Deer Lodge	12,207	12,030	-1.45	654.88	791.45	20.85
Fallon	3,746	5,215	39.22	937.20	1,158.89	23.65
Fergus	12,699	16,283	28.22	905.91	1,197.28	32.16
Flathead	21,214	36,151	70.41	643.53	948.85	47.44
Gallatin	16,505	22,093	33.86	633.71	756.61	19.39
Garfield	3,037	4,761	56.77	1,533.06	2,505.79	63.45
Glacier	6,494	9,444	45.43	561.52	787.00	40.15
Golden Valley	1,659	1,926	16.09	1,379.05	1,605.00	16.38
Granite	2,716	3,608	32.84	901.13	1,244.14	38.06
Hill	14,226	16,486	15.89	762.67	1,070.52	40.37
Jefferson	2,161	3,911	80.98	502.91	766.86	52.49
Judith Basin	5,217	6,267	20.13	1,691.09	2,021.61	19.55
Lake	6,682	11,906	78.18	509.92	832.59	63.28
Lewis & Clark	17,771	25,668	44.44	634.54	794.67	25.24
Liberty	4,447	5,610	26.15	1,694.74	2,550.00	50.47
Lincoln	5,539	12,878	132.50	441.81	719.44	62.84
McCone	4,276	6,211	45.25	820.57	1,070.86	30.50
Madison	3,875	5,058	30.53	1,166.82	1,580.63	35.46
Meagher	3,535	3,881	9.79	1,351.30	1,687.39	24.87
Mineral	1,142	1,610	40.98	376.03	487.88	29.74
Missoula	22,682	42,209	86.09	507.85	766.04	50.84
Musselshell	3,633	4,461	22.79	743.25	1,115.25	50.05
Park	8,881	10,048	13.14	674.44	858.80	27.34
Petroleum	1,427	1,638	14.79	1,596.20	2,047.50	28.27
Phillips	5,833	7,960	36.46	967.81	1,501.89	55.18
Pondera	9,935	10,870	9.41	1,298.18	1,672.31	28.82
Powder River	3,807	5,846	53.56	1,531.99	2,248.46	46.77
Powell	4,440	4,927	10.97	634.01	656.93	3.61
Prairie	2,588	2,951	14.03	1,116.48	1,475.50	32.16
Ravalli	5,967	9,791	64.09	483.51	709.49	46.74
Richland	6,937	10,640	53.38	660.42	994.39	50.57
Roosevelt	6,881	9,607	39.62	586.57	865.50	47.55
Rosebud	6,033	6,812	12.91	975.11	1,081.27	10.89
Sanders	6,884	9,596	39.40	1,000.58	1,453.94	45.31
Sheridan	6,051	7,580	25.27	936.98	1,263.33	34.83
Silver Bow	25,538	30,707	20.24	549.75	671.93	22.22
Stillwater	5,294	6,245	17.96	958.02	1,301.04	35.81
Sweet Grass	4,057	4,530	11.66	1,233.13	1,510.00	22.45
Teton	8,871	10,737	21.03	1,216.04	1,789.50	47.16
Toole	7,739	10,102	30.53	979.12	1,554.15	58.73
Treasure	1,560	1,752	12.31	1,159.85	1,460.00	25.88
Valley	9,311	13,376	43.66	545.14	1,045.00	91.69
Wheatland	2,844	3,176	11.67	939.85	1,134.29	20.69
Wibaux	2,513	2,755	9.63	1,479.98	1,721.88	16.34
Yellowstone	65,003	82,517	26.94	822.66	1,013.72	23.23

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.31

Taxable Value of State Allocated Public Utility Property
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value (000)		Percent Change	Taxable Value Per Capita		Percent Change
	1960	1968		1960	1968	
Beaverhead	$1,304	$1,592	22.09	$181.26	$201.52	11.18
Big Horn	1,862	2,366	27.07	186.07	231.96	24.66
Blaine	1,452	1,309	-9.85	179.46	172.24	-4.02
Broadwater	1,482	1,558	5.13	528.53	599.23	13.38
Carbon	2,579	3,047	18.15	310.09	411.76	32.79
Carter	637	596	-6.44	255.52	298.00	16.63
Cascade	4,943	7,257	46.81	67.33	89.93	33.57
Chouteau	2,149	2,091	-2.70	292.46	326.72	11.71
Custer	2,190	2,106	-3.84	165.57	152.61	-7.83
Daniels	662	533	-19.49	176.30	161.52	-8.39
Dawson	2,603	2,727	4.76	211.39	231.10	9.33
Deer Lodge	1,254	1,575	25.60	67.27	103.62	54.02
Fallon	2,066	2,139	3.53	516.89	475.33	-8.04
Fergus	1,861	1,951	4.84	132.76	143.46	8.06
Flathead	3,601	4,783	32.82	109.24	125.54	14.92
Gallatin	3,636	4,265	17.30	139.60	146.06	4.63
Garfield	55	85	54.55	27.76	44.74	61.13
Glacier	2,058	2,895	40.67	177.95	241.25	35.57
Golden Valley	1,036	1,026	-0.97	861.18	855.00	-0.72
Granite	1,617	1,704	5.38	536.50	587.59	9.52
Hill	2,108	2,107	-0.05	113.01	136.82	21.07
Jefferson	2,606	2,474	-5.07	606.47	485.10	-20.01
Judith Basin	1,615	1,766	9.35	523.50	569.68	8.82
Lake	975	1,268	30.05	74.40	88.67	19.17
Lewis & Clark	3,663	4,799	31.01	130.79	148.58	13.60
Liberty	798	755	-5.39	304.12	343.18	12.85
Lincoln	2,189	1,692	-22.70	174.60	94.53	-45.86
McCone	879	1,043	18.66	168.68	179.83	6.61
Madison	361	453	25.48	108.70	141.56	30.23
Meagher	693	622	-10.25	264.91	270.43	2.09
Mineral	1,906	1,679	-11.91	627.59	508.79	-18.93
Missoula	4,466	6,039	35.22	99.99	109.60	9.61
Musselshell	771	1,274	65.24	157.73	318.50	101.92
Park	1,981	2,186	10.35	150.44	186.84	24.19
Petroleum	114	159	39.47	127.52	198.75	55.86
Phillips	2,074	1,909	-7.96	344.12	360.19	4.67
Pondera	1,240	1,630	31.45	162.03	250.77	54.77
Powder River	52	119	128.85	20.93	45.77	118.72
Powell	2,514	2,823	12.29	358.99	376.40	4.85
Prairie	1,510	1,284	-14.97	651.42	642.00	-1.45
Ravalli	992	1,283	29.33	80.38	92.97	15.66
Richland	1,321	1,485	12.41	125.76	138.79	10.36
Roosevelt	2,475	2,174	-12.16	210.98	195.86	-7.17
Rosebud	2,774	2,467	-11.07	448.36	391.59	-12.66
Sanders	2,909	3,003	3.23	422.82	455.00	7.61
Sheridan	879	729	-17.06	136.11	121.50	-10.73
Silver Bow	3,540	4,376	23.62	76.20	95.75	25.66
Stillwater	1,306	1,479	13.25	236.34	308.12	30.38
Sweet Grass	1,231	1,350	9.67	374.16	450.00	20.27
Teton	1,660	1,708	2.89	227.55	284.67	25.10
Toole	2,449	2,262	-7.64	309.84	348.00	12.31
Treasure	692	658	-4.91	514.50	548.33	6.58
Valley	2,626	2,619	0.27	153.75	204.61	33.08
Wheatland	1,375	1,282	-6.76	454.40	457.86	.76
Wibaux	708	752	6.21	416.96	470.00	12.72
Yellowstone	6,205	8,965	44.48	78.53	110.14	40.25

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.32

Taxable Value of Locally Assessed Public Utility Property
Total, Per Capita, and Percent Change
By County
1960 to 1968

County	Total Taxable Value 1960	Total Taxable Value 1968	Percent Change	Taxable Value Per Capita 1960	Taxable Value Per Capita 1968	Percent Change
	(000)					
Beaverhead	$ 141	$ 244	73.05	$ 19.60	$ 30.89	57.58
Big Horn	216	324	50.00	21.58	31.76	47.16
Blaine	48	72	50.00	5.93	9.47	59.69
Broadwater	53	87	64.15	18.90	33.46	77.03
Carbon	121	175	44.63	14.55	23.65	62.55
Carter	64	86	34.38	25.67	43.00	67.50
Cascade	5,616	5,438	- 3.17	76.49	67.39	-11.91
Chouteau	47	62	31.91	6.40	9.69	51.45
Custer	287	281	- 2.09	21.70	20.36	- 6.16
Daniels	25	26	4.00	6.66	7.88	18.34
Dawson	412	523	26.94	33.46	44.32	32.47
Deer Lodge	622	565	- 9.16	33.37	37.17	11.39
Fallon	247	303	22.67	61.80	67.33	8.96
Fergus	194	221	13.92	13.84	16.25	17.42
Flathead	632	909	43.83	19.17	23.86	24.44
Gallatin	672	770	14.58	25.80	26.37	2.20
Garfield	3	2	-33.33	1.51	1.05	-30.49
Glacier	537	688	28.12	46.43	57.33	23.47
Golden Valley	26	30	15.38	21.61	25.00	15.67
Granite	85	87	2.35	28.20	30.00	6.38
Hill	458	484	5.68	24.55	31.43	28.00
Jefferson	44	272	518.18	10.24	53.33	420.85
Judith Basin	33	84	154.55	10.70	27.10	153.31
Lake	2,826	2,853	.96	215.66	199.51	- 7.49
Lewis & Clark	2,507	2,674	6.66	89.52	82.79	- 7.52
Liberty	64	109	70.31	24.39	49.55	103.14
Lincoln	559	1,357	142.75	44.59	75.81	70.02
McCone	339	386	13.86	65.05	66.55	2.30
Madison	19	28	47.37	5.72	8.75	52.94
Meagher	59	57	- 3.39	22.55	24.78	9.88
Mineral	122	148	21.31	40.17	44.85	11.64
Missoula	1,100	1,380	25.45	24.63	25.05	1.69
Musselshell	60	102	70.00	12.27	25.50	107.74
Park	753	821	9.03	57.18	70.17	22.71
Petroleum	9	7	-22.22	10.07	8.75	-13.08
Phillips	71	78	9.86	11.78	14.72	24.93
Pondera	101	167	65.35	13.20	25.69	94.68
Powder River	12	17	41.67	4.83	6.54	35.40
Powell	228	290	27.19	32.56	38.67	18.76
Prairie	19	16	-15.79	8.20	8.00	- 2.40
Ravalli	84	146	73.81	6.81	10.58	55.43
Richland	942	989	4.99	89.68	92.43	3.07
Roosevelt	72	144	100.00	6.14	12.97	111.37
Rosebud	109	77	-29.36	17.62	12.22	-30.62
Sanders	1,007	961	- 4.57	146.37	145.61	- 0.52
Sheridan	37	54	45.95	5.73	9.00	57.09
Silver Bow	2,079	2,484	19.48	44.75	54.35	21.45
Stillwater	533	517	- 3.00	96.45	107.71	11.67
Sweet Grass	36	54	50.00	10.94	18.00	64.50
Teton	52	154	196.15	7.13	25.67	260.07
Toole	338	468	38.46	42.76	62.00	68.37
Treasure	16	31	93.75	11.90	25.83	117.16
Valley	168	342	103.57	9.84	26.72	171.64
Wheatland	101	114	12.87	33.38	40.71	21.98
Wibaux	9	17	88.89	5.30	10.63	100.46
Yellowstone	2,030	4,129	103.40	25.69	50.72	97.44

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

TABLE A9.33

Taxable Value of Net Proceeds of Mines
Total, Per Capita, and Percent Change
By County
1960 to 1968

	Total Taxable Value			Taxable Value Per Capita		
County	1960	1968	Percent Change	1960	1968	Percent Change
	(000)					
Beaverhead	$ 26	$ 156	500.00	$ 3.61	$ 19.75	446.38
Big Horn	42	106	152.38	4.20	10.39	147.61
Blaine	223	74	-66.82	27.56	9.74	-64.67
Broadwater	-----	------	------	--------	--------	------
Carbon	8,967	5,220	-41.79	1,078.15	705.41	-34.57
Carter	-----	13	------	--------	6.50	------
Cascade	-----	------	------	--------	--------	------
Chouteau	-----	------	------	--------	--------	------
Custer	-----	------	------	--------	--------	------
Daniels	125	81	-35.20	33.29	24.55	-26.27
Dawson	2,078	1,352	-34.94	168.75	114.58	-32.10
Deer Lodge	-----	------	------	--------	--------	------
Fallon	9,885	10,582	7.05	2,473.10	2,351.56	-4.91
Fergus	44	1	-97.73	3.14	.07	-97.66
Flathead	-----	3	------	--------	.08	------
Gallatin	2,378	244	-89.74	91.30	8.36	-90.85
Garfield	84	40	-52.38	42.40	21.05	-50.35
Glacier	4,001	4,506	12.62	345.96	375.50	8.54
Golden Valley	20	32	60.00	16.63	26.67	60.40
Granite	122	10	-91.80	40.48	3.45	-91.48
Hill	-----	------	------	--------	--------	------
Jefferson	-----	79	------	--------	15.49	------
Judith Basin	24	------	------	7.78	--------	------
Lake	-----	------	------	--------	--------	------
Lewis & Clark	-----	------	------	--------	--------	------
Liberty	122	808	562.30	46.49	367.27	689.94
Lincoln	141	214	51.77	11.25	11.96	6.30
McCone	370	1,045	182.43	71.00	180.17	153.75
Madison	184	2,595	1,310.33	55.40	810.94	1,363.65
Meagher	-----	-----	--------	--------	--------	--------
Mineral	-----	-----	--------	--------	--------	--------
Missoula	6	-----	--------	.13	--------	--------
Musselshell	727	1,645	126.27	148.73	411.25	176.50
Park	-----	3	--------	--------	.26	--------
Petroleum	92	138	50.00	102.91	172.50	67.63
Phillips	20	4	-80.00	3.32	.75	-77.26
Pondera	374	267	-28.61	48.87	41.08	-15.95
Powder River	-----	1,685	--------	--------	648.08	--------
Powell	421	967	129.69	60.12	128.93	114.47
Prairie	226	86	-61.95	97.50	43.00	-55.90
Ravalli	436	320	-26.61	35.33	23.19	-34.37
Richland	63	830	1,217.46	6.00	77.57	1,193.33
Roosevelt	7,849	4,044	-48.48	669.08	364.32	-45.55
Rosebud	5,429	1,201	-77.88	877.49	190.63	-78.27
Sanders	69	-----	--------	10.03	--------	--------
Sheridan	1,000	3,943	294.30	154.85	657.17	324.40
Silver Bow	3,527	10	-99.72	75.92	.22	-99.71
Stillwater	1,409	59	-95.81	254.98	12.29	-95.18
Sweet Grass	-----	-----	--------	--------	--------	--------
Teton	280	163	-41.79	38.38	27.17	-29.22
Toole	973	3,206	229.50	123.10	493.23	300.67
Treasure	-----	-----	--------	--------	--------	--------
Valley	3	1	-66.67	.18	.08	-55.52
Wheatland	-----	-----	--------	--------	--------	--------
Wibaux	6,047	4,256	-29.62	3,561.25	2,660.00	-25.31
Yellowstone	983	773	-21.36	12.44	9.50	-23.67

Sources: Biennial Report, Twentieth, Twenty-second, Twenty-fourth; Montana State Board of Equalization.

CHAPTER 10 BUSINESS TAXATION

CHAPTER 10

BUSINESS TAXATION

Introduction

Business taxation is a complex matter because of the wide variety of taxes levied on business across the country and the diversity of practices, rates and definitions used by the fifty states. When business taxes come under consideration by the legislature for increases or changes, much uncertainty exists among legislators because of the incomparability and incompleteness of readily available data. Consequently, when business tax rates are changed and when new business taxes are imposed, legislators are left with an uneasy feeling of uncertainty regarding the relative positions of businesses and industries among the states and how the new tax situation will affect their competitive positions in the economy.

When business taxes come under review in Montana, to assist in financing increased costs of government services, it is generally assumed that business taxes must be increased so that businesses pay their "fair share" of the increased costs. Also, it is assumed that most types of business taxes should be increased uniformly in proportion to increases in personal taxes, as was done in the 1969 Session of the Montana Legislature.

On the first count, it is reasoned that if individual or personal taxes are increased by some percent, then business taxes should be increased likewise. It is not clear what rationale is used to justify such a practice. It is clear, however, that the reasoning ignores the fact that the feedbacks and external repercussions in a modern industrial economy are numerous and powerful, especially in an open economy such as one state in the United States. Businesses in Montana are competing with businesses in other states and localities in various ways. If state and local taxes get too far out of line relative to other communities, taxpayer resistance increases and mobile industries, businesses, and individuals may move to more favorable tax environments. Relatively high corporate or other business taxes may influence business behavior and relatively high income and inheritance taxes may affect individual behavior. Unduly high taxes, whether personal or business, may encourage those with mobility to conduct their affairs and establish residence elsewhere.

Equal tax increases on all business and industry types is especially troublesome in an open economy such as Montana. What appears to be uniform treatment in the form of equal percentage increases in tax rates may in fact result in pushing some taxes far higher than those in competitive states and localities while leaving other taxes far below the taxes levied on similar enterprises in other states and localities.

This chapter is designed to provide factual and analytical material on several aspects of business taxation. An economic analysis of each of the major business taxes in Montana is presented. We attempt to outline the economic aspects of each tax by providing general descriptions of the economic adjustments occurring because of the tax. Secondly, a description of each tax in Montana is provided with base and revenue data and rate histories of each tax. Third, state-by-state comparisons of tax rates are made and state rankings are provided.

Although such an undertaking is immensely complex, this chapter is designed to provide considerable knowledge of the current position of Montana in business taxation.

Special Topics and General Considerations

Before directly addressing the factual and analytical material prepared specifically on Montana business taxes, there are some special items of interest which are given some attention. In particular, treatment of the nexus question (factors constituting the right of states to tax businesses engaged in interstate commerce which underlie most business taxes) and the question of the influence of state and local taxes on location of industry are given consideration. Additionally, it is interesting to consider the role of state and local taxes on business in the tax systems of state and local governments in the United States and Montana.

State Taxation of Interstate Commerce

Business taxes have been the subject of extensive litigation centering on Article I, Section 8 of the Constitution of the United States known as the interstate commerce clause. The right of the states to tax businesses engaged in interstate commerce is governed by this article of the Constitution and the case law which has developed around it. Factors constituting the right of a state to tax business engaged in interstate commerce are not clearly understood. Although we cannot settle the question here, we have prepared some discussion of the question to enhance knowledge about the considerations governing the determination of the factors giving states the right to tax business engaged in interstate commerce.

The phrase "interstate commerce" is generally understood to include all trade and movements across state lines. This includes the trade and movement of tangible commodities as well as intangibles such as radio or television waves. The term includes the sale of goods for interstate shipment as well as the transportation itself.

The phrase "interstate commerce" is not actually used anywhere in the Constitution. Indeed, according to Article I, Section 8, of the Constitution of the United States "Congress shall have power to regulate commerce with foreign nations, and among the several states, and with the Indian tribes." This clause has been interpreted by the Supreme Court to mean that any taxation which imposes a substantial burden on interstate commerce constitutes an attempt on the part of the state to regulate interstate commerce. Since this power is reserved to Congress, such an act is unconstitutional.

The due process concept of the Fourteenth Amendment also bears on taxation of interstate commerce since it is interpreted as meaning that states may not tax anything which is not within their jurisdiction.

Of course there have been changes in the way the Court has decided particular types of cases over the years. There are at least three readily distinguishable eras marked by different doctrines of what constitutes permissible taxation of firms engaging in interstate commerce. These periods are essentially the years before 1938, 1938 to 1944, and 1944 to the present. Of course, given the changing composition of the Court, one cannot be certain how future cases will be decided. However, the types of changes which have taken place in the doctrine in the past and their significance will shed some light on the current doctrine.

Prior to 1938, the commerce clause was interpreted as forbidding taxation which placed a direct burden on interstate commerce. Taxes which imposed only an indirect burden on interstate commerce were considered constitutional. Taxes which discriminate against interstate commerce have always been held unconstitutional without question.

Under this doctrine, which emphasized the directness of the burden upon interstate commerce, the following opinions originated.

Property located in the taxing state was subject to property taxation even though it was used in interstate commerce. Such taxation was held to affect interstate commerce only incidentally and hence did not constitute a direct burden. Goods actually in the process of moving in interstate commerce, however, were exempt from property taxation. This latter doctrine still stands.

License, privilege, occupation, franchise, and other such taxes are slightly more complicated. Taxes of these sorts were valid only when they were formally imposed on an intrastate activity. When they were imposed on an intrastate activity, they were valid regardless of their effect on interstate commerce. Corporations which did an entirely interstate business were exempt from such taxes.

In applying the commerce clause the Court drew a distinction between taxes measured by net income and those measured by gross receipts. This distinction was drawn on the following grounds. A tax on gross receipts affects each transaction in proportion to its magnitude and without regard to its profitability. It is conceivable that such a tax could make the difference between profit and loss or at least diminish profits sufficiently to impede or discourage the conduct of interstate commerce. A tax which is based on net income, on the other hand, is imposed only on transactions which are profitable. This distinction caused differences in the treatment of these taxes.

Taxes which were imposed on net income or measured by net income were held valid in application to businesses which were both interstate and intrastate in character if they met the standards of due process by being imposed only on the portion of income arising from activities carried on within the state. The fact that some intrastate business was done was sufficient justification for the tax even though most of the income came from operations which were part of interstate commerce. A franchise or privilege tax measured by net income was held invalid in application to wholly interstate businesses. The privilege of domicile was held as a sufficient basis for taxation of entire net regardless of where earned and it was further assumed that the fact that part or all of the business was interstate was immaterial.

Taxes measured by gross receipts were held invalid to the extent that gross receipts from interstate commerce were included even though the tax was imposed on an intrastate business and properly allocated.

There were two major problems with the doctrine as it was applied prior to 1938. First of all, there was little if any relationship between the decisions and the burden actually imposed on interstate commerce. For example, if a foreign corporation did 1 percent intrastate business and 99 percent interstate business, the state could impose franchise, license, or privilege taxes of a flat sum or measured by capital stock, property, or net income so long as proper allocation was used. If, however, the company did 100 percent interstate business, none of these taxes could be imposed.

Secondly, the emphasis on the directness of the burden on interstate commerce as the important criterion made possible the same burden being imposed on interstate commerce by two different taxes. Because of the wording, however, one would stand and one would fall. The emphasis was on the formally stated subject of taxation and not on the actual effects of the tax.

In a 1938 case, Justice Stone rendered the following opinion which was the foundation for the multiple burdens doctrine.

"It was not the purpose of the commerce clause to relieve those engaged in interstate commerce from their just cost of doing the business....

"All taxes in one way or another add to the expense of carrying on interstate commerce, and in that sense burden it; but they are not for that reason prohibited...

"The vice characteristic of those which have been held invalid is that they have placed on the commerce burdens of such a nature as to be capable of being imposed with equal right by every state which the commerce touches so that without the protection of the commerce clause it would bear cumulative burdens not imposed on local commerce."

This opinion seemed to place the primary emphasis on the question of whether the tax base was properly apportioned among the states. In doing this, the emphasis was also placed increasingly on the due process clause rather than the commerce clause.

From this doctrine emerged three possible changes in the course of decisions: 1) the new doctrine could be used to permit state taxes levied upon an intrastate subject to be measured by properly allocated gross receipts from interstate commerce; 2) it could permit the states to impose properly allocated franchise, license, and privilege taxes directly upon interstate commerce without the necessity of isolating an intrastate activity to serve as the subject of the tax; and 3) the doctrine could be used to invalidate all unallocated state taxes.

During this period (1938 to 1944), the last two of these possibilities were not pursued. The Court tended to use the principle primarily as a means of allowing states to use taxes measured by allocated gross receipts from interstate commerce and for rejecting unapportioned gross receipts taxes.

There was a general change, however, in the requirement for isolating an intrastate activity upon which to formally levy the tax. Whereas formerly it was necessary to determine an intrastate business to use as the subject of the tax, states were now increasingly allowed to use only a local "incident." The meaning of this is best explained by an example.

In Southern Pacific Company v. Gallagher, the Court upheld a California use tax as applied to property purchased by the company outside the state and brought into it for use in the operation of an interstate railroad business. The property was put to use as rapidly as possible after arrival in California. The Court said, "We think there was a taxable moment when the goods had reached the end of their interstate transportation and had not begun to be consumed in interstate operation."

Beginning in 1944, some members of the Court attempted to extend the multiple burdens doctrine to new situations. It was suggested that the doctrine be used as a basis for upholding all apportioned state taxes upon interstate commerce or the privilege of engaging in such commerce with no reference at all to local incidents. Simultaneously there were efforts to utilize the doctrine to restrict the power of states to impose unapportioned taxes under any situation whether or not a local activity was made the formal subject of the tax. Thus the two more radical directions which were mentioned above became considerations in the direction of the Court after 1944.

Today, the following attitudes would seem to exist on the part of the Court. Direct taxes on the allocated net income of a foreign corporation engaged exclusively in interstate commerce are allowed. Franchise taxes, even though measured by allocated net income, may not be imposed on wholly interstate corporations. They may be imposed, though, on corporations which have both interstate and intrastate business.

Public Law 86-272 attempts to establish a minimum standard for the imposition of a state income tax on corporations. Essentially, this law precludes states from taxing a company whose only activity in a state consists of soliciting orders.

Property taxes may of course still be levied on property which is used in interstate commerce.

Franchise taxes may be imposed on corporations which engage in some intrastate activity.

Occupation taxes upon activities such as manufacturing or mining are allowable even though most of the product goes immediately into interstate commerce.

Properly allocated gross receitps taxes may be used providing suitable local incident may be isolated as the subject.

The issue has not yet fully come to rest, however. During the first session of the Ninety-first Congress of the United States, H.R. 7906 was proposed. This bill is described as "A bill to regulate and foster commerce among the states by providing a system for the taxation of interstate commerce." The future of this bill is not yet known, but it seems appropriate to present some consideration of its major aspects here.

Title I provides for the jurisdiction of states to tax interstate firms. "No state or local government shall have power to impose a net income tax or capital stock tax on a corporation unless the corporation has a business location in the state during the taxable year." This does not apply to corporations which receive more than

50 percent of their ordinary gross income from transportation for hire, public utilities, banking or extending credit, dividends, interest, or royalties. It is also provided that a state may not require a person to collect a sales or use tax on sales of tangible personal property unless that person has a business location in the taxing state or regularly makes household deliveries there. States may not impose a gross receipts tax on sales of tangible personal property unless the seller has a business location in the state. States may impose taxes which are not forbidden by these provisions.

Title II considers the apportionment of income among states. Under the provisions of this section, only two apportionment factors would be used. These apportionment factors are property and payroll. The sales factor currently used by Montana would not be allowed.

Title III considers sales and use taxes. A state or local government may impose a sales tax or require a seller to collect a sales or use tax on interstate sales of tangible personal property only if the destination of the sale is in that state or is in a state or political subdivision for which the tax is required to be collected. These provisions do not affect taxes on motor vehicles which are registered in a state or on motor fuels consumed in a state.

A person is considered to have a business location within a state only if the person owns or leases real property within the state, has one or more employees located in the state, or regularly maintains a stock of tangible personal property in the state for sale in the ordinary course of business. A firm is deemed to have an employee located in a state if the employee's service is localized in that state or the employee's base of operations is in that state. An employee's service is localized in a state if the service is performed entirely within that state or the service is performed both within and without the state but the service performed outside the state is only incidental to service within the state.

The law would also reduce some of the emphasis on the name given to a tax. The fact that a tax to which this act applies is imposed in the form of a franchise, privilege, or license tax would not prevent the imposition of the tax on a person engaged exclusively in interstate commerce as long as it is not a material restriction on trade.

This bill gives no specific reference to the allocation of gross income to a state. It is stated, however, that no provision of the act may be construed as giving the power to impose a gross receipts tax with respect to a sale of tangible personal property if the seller would not be subject to such a tax without regard to the provisions of the act. Thus it may be presumed that a suitable local incident is still required for a properly allocated gross receipts tax.

Taxation and Location of Industry

Invariably when business taxes are subject to review by legislators as part of the body of taxes called upon to solve state and local fiscal problems, immediate concern is expressed about the influence of taxation on economic growth and various other issues which cause uncertainty and engender caution in changing business taxes. There has been repeated questioning by legislators and much research concerning the effects of enacting new business taxes and increasing old ones. In view of this long-standing concern, it is quite surprising that there isn't a large body of excellent empirical evidence concerning the repressiveness, neutrality, or stimulative effects on industries of various state and local tax systems. The simple fact is that all efforts made along this line have produced little evidence one way or another. Carl S. Shoup notes: "The fact seems to be that the industrial history of no one state in the United States can be pointed to for illustration of a specifically favored tax system that has substantially enhanced the growth of manufacturing or of a repressive tax system that has proven to be a substantial deterrent to growth."[1]

Ronald J. Wonnacott conducted a study of the "Manufacturing Costs and the Comparative Advantage of United States Regions" in which he attempted to empirically deal with the question of the influence of state and local taxes on location of industry.[2] Although Wonnacott's findings resemble Shoup's conclusion, it is interesting to note the context in which Wonnacott's findings were revealed.

Wonnacott concluded that "differences in tax levels between states generally are not of major significance in other costs, their major influence is not in affecting costs, but in influencing area image."[3] This conclusion was drawn from a study of the major influences on the location of industry. Among the major influences on location of industry, Wonnacott lists: 1) availability of facilities needed to support new industries; 2) amenities such as climate, attractions of physical surroundings, and stimulating cultural activity; 3) proximity to resource supplies; 4) transportation costs; and 5) labor supply and cost weighed against labor skill characteristics and educational facilities.

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[1] Carl S. Shoup, "Suggested Changes in the State and Local Tax System of Michigan" in Taxes and Economic Growth in Michigan, ed. Paul W. McCracken (Ann Arbor: Edwards Brothers, Inc.), pp. 151-152.

[2] Ronald J. Wonnacott, Manufacturing Costs and the Comparative Advantage of United States Regions, Upper Midwest Economic Study, Study Paper No. 9 (April 1963), pp. 38-69. Cited hereafter as suggested changes.

[3] Ibid., p.63.

Wonnacott further concluded that, "there is a great deal of truth in the proposition that the public impression of taxes is often more important than taxes themselves."[4]

Similar observations were made by Shoup regarding businessmen's tax expectations and uncertainty when he said, "Economic Development in Michigan, so far as the tax system is concerned, will be influenced, not so much by what the system is at present, as by what the investor, or executive, or skilled worker thinks it will be in the years ahead."[5] Shoup's further comments are interesting not because of the type of tax reform he suggested for Michigan but rather for the approach to reform he suggests:

> If a state has gained a reputation for muddling through from one fiscal crisis to the next, changing its tax system on short notice without evidence of prior study, disregarding analyses made at its own request, yielding to pressure groups, and, in general, allowing politics largely to dictate its tax decisions; if the record consequently is one of financial instability and lack of settled tax policy: then a business firm may be expected to count the tax climate as a negative factor in deciding on location or expansion. Adam Smith inveighed against another kind of uncertainty in taxation, but his conclusion also holds for uncertainty in the sense of a wavering and inconsistent tax policy: "The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experiences of all nations, is not near so great an evil as a very small degree of uncertainty.
>
> Uncertainty is strengthened when, to a history such as that sketched above, there is added the realization that the existing tax system is too uneven, and too weak, to provide for future needs. Then the only thing certain is that there will be a change.[6]

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[4] Shoup, "Suggested Changes," p.54.

[5] Ibid., p. 153.

[6] Ibid., p. 153.

Sound empirical studies of the influence of state and local taxes on location of industry have provided little evidence that state and local taxes either promote or retard location of industry. It appears to be a general consensus among such studies that tax costs are small relative to other factors. However, it also appears to be a consensus among the experts that businessmen's tax expectations and uncertainty play a more important role than the existing level of taxes and the nature of the tax system on business.

The Role of Business Taxes

The Advisory Commission on Intergovernmental Relations recently published a report concerning state and local taxation and industrial location. This report attempts to deal with the problems of taxation and its effects on decisions to locate in one area or another. Although the study does not shed light on the question of the differential effects of business taxes on industry location, it provides some suggestions for basic legal and administrative improvements. In addition, the study reports the results of an effort to estimate the amounts of state and local taxes with direct impact on business by states.[7] This data is reported here not because of its value for analytical purposes but rather to give perspective to the general magnitude of the role business taxes play in the fiscal systems of state and local governments in the United States and Montana.

State and Local Taxes

Taxes with their initial impact on business including unemployment compensation taxes, property taxes, corporate net income, gross receipts, license taxes, and severance taxes amounted to $44.2 billion in 1962. This tax revenue amounted to 35.8 percent of total state and local tax revenue in 1962. The role of business taxes in state and local tax systems declined from 1957 to 1962 from 37.2 percent to 35.8 percent.

The uniformity in the role of business taxes in state and local tax systems is striking. In 1962 business taxes as a percent of total state and local tax revenue exceeded 40 percent in only five out of the fifty states. In only twelve states did business taxes as a percent of total state and local tax revenue fall short of 30 percent. Business taxes as a percent of total state and local tax revenue in thirty-three states fell between 30 and 40 percent.

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[7] Advisory Commission on Intergovernmental Relations, "State and Local Taxation and Industrial Locations," A-30, Table C-3 (April 1967), p. 103.

State and local taxes with their initial impact on business in Montana amounted to $52.8 million in 1957, $67.1 million in 1962, and $79.6 million in 1967.[8] Business taxes as a percent of total state and local taxes in Montana were 41.9 percent in 1957, 41.4 percent in 1962, and 37.4 percent in 1967.

The relative decline in the role of state and local taxes with a direct impact on business arises mainly from two sources. First, license, severance, gross receipts, and property tax bases generally grow at a slower rate than the bases of personal taxes such as individual income and general sales taxes. Second, there has been a widespread movement toward state legislative policy across the country to attract industry by offering a more favorable "tax climate."

Montana Business Taxes

Montana, as most states, has a very complex business tax system. The rationale and basis for the development of its elements is not clear from legislative journals and newspapers appearing at the time of enactment. It must be concluded that the primary reason most of Montana's business taxes were adopted was to produce revenue for the state treasury. Notable exceptions are those taxes designed to produce revenue for support of regulatory agencies and for strictly control purposes.

This study is concerned with seventeen Montana business taxes broken into three categories. First, we treat the Montana corporation license tax; second, we analyze six taxes which fall into the category of severance taxes; third, we consider eight public utility taxes. The insurance premiums tax and the chain store license tax are given special attention also.

We attempt to provide broad rationale which serves as the basis for the positive and negative arguments surrounding each tax. This rationale is not offered to either support or criticize each tax but rather to illuminate the commonly used arguments on both sides concerning particular types of taxes. Secondly, we provide a brief description of the Montana provisions along with the revenue history and rate history of each type of tax. Third, the economic aspects of each type of tax are discussed. In the case of the discussion of the economic aspects of each type of tax, we attempt to provide what appears to be the expected economic effects of each tax according to economic analysis. Such economic analysis is very complex and tentative. However, it should provide some broad notions about the direction of effects of changing certain business taxes.

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[8] Ibid., p. 106, and Montana Fiscal Affairs Study. Procedures developed by the Advisory Commission on Intergovernmental Relations to estimate state and local taxes with direct impact on business for 1957 and 1962 were employed to estimate the Montana total for 1967.

In a more complete study, empirical verification of the expected results of each tax would be possible. It should be noted that the economic analysis of public utility taxes applies generally to all public utility taxes. A separate discussion of the economic aspects of public utility taxes is not provided because of the similarity of the economic aspects of taxes in that group. Finally, we draw together comparisons of each business tax in Montana with similar taxes in other states. In this case, we attempt to establish comparability so that valid comparisons of rates can be made between the states. Unique features of taxes in other states are noted.

In the case of the corporation license tax, an empirical analysis was done by enumerating important data from the Montana corporation license tax returns filed in fiscal 1969. Some other comparisons are made to provide a broader understanding of the taxes affecting corporations.

Corporation License Tax

Provisions and General Considerations.

The taxation of incomes of corporations singles out one form of business organization for taxation. Why should such a tax be levied on the corporation, a "person" who exists only in legal fiction? Should not all income be allocated and taxed to individuals? There has been considerable debate on this issue.

At the state government level, the corporation tax has been justified as payment in exchange for the benefits presumably conferred by the privilege of operating as a corporation. Specifically, services received by business from government include: (1) the establishment of business laws and their legal enforcement through the courts, (2) public education which provides the skill and efficiency required of labor, and (3) social costs which result from business operations such as unemployment, pollution, and others.

It can be argued, however, that net income is not a particularly good measure of the benefits received from incorporation. Use of this measure implies that a corporation enjoys no privilege if it has net income. Moreover, if a business firm is expected to pay the cost of the state and local government services it consumes, there seems to be little justification for confining the charge solely to corporations.

It has also been argued that the corporation should come under special taxation because of its ability to pay. This argument has been challenged on the grounds that the corporation itself has no taxpaying capacity and that the tax on corporations must ultimately fall on individuals. Workers may receive lower wages, stockholders may receive lower dividends; or consumers may pay higher prices. Furthermore, when the burden of the tax is shifted to these groups, it falls capriciously on incomes, without regard for their ability to pay.

The argument that corporations may pass the burden of the tax on to individuals has also been used by supporters of state taxation of corporations. They contend that through this shifting, a state corporate income tax permits the taxation of profits distributed to shareholders who are not residents of the state. Also, to the extent that the tax is reflected in higher prices, it permits the taxation of out-of-state consumers. Both groups, it is assumed, benefit indirectly from the state and local services provided to the corporation.

Montana has imposed a corporate license tax measured by net income for many years. The Montana corporation license tax was enacted by Chapter 79, Laws of 1917. The current statutes are found in Chapter 15, Title 84, Revised Codes of Montana, 1947.

The tax is imposed on every corporation which engages in business in Montana. Foreign corporations are taxed only on that income which is attributable to sources within the state. Certain types of non-profit corporations are exempt. Also exempt are insurance companies which pay a tax on net premiums, state and national banks, express and freight line companies, and cooperative telephone and electric companies.

Taxable income is the gross income of the corporation less the following deductions: 1) all ordinary and necessary expenses paid or incurred during the taxable year in the maintainance and operation of the business and properties; 2) all losses actually sustained and charged off within the year and not compensated for by insurance or other means; 3) a reasonable allowance for depreciation of property arising from its use in the trade or business; 4) an allowance for the depletion of natural resources in accordance with the provisions of the Internal Revenue Code; 5) interest paid within the year; and 6) taxes paid within the year except the Montana corporation license tax, federal income tax, or taxes assessed for local benefits which tend to increase the value of the assessed property.

A corporation which has income taxable both within Montana and elsewhere must allocate its net income. Nonbusiness income from such items as rents, royalties, and capital gains are allocated according to the state in which the property involved is utilized. Business income may be allocated in either of two ways. A direct accounting procedure may be employed under which actual revenues and expenses are directly attributed to the state in which they arise. This type of accounting is termed "separate accounting." An allocation formula based on the proportions of sales, property, and payroll in the state of Montana may also be used. The Board of Equalization or the corporation may initiate action to have the allocation formula altered in cases where it clearly does not provide proper allocation.

The current rate of taxation is 6.25 percent. The law provides that this rate will revert to its former 5.5 percent level in 1971 if legislative action is not taken. Table 10.1 shows the history of the tax rate. The rate has been changed seven times and has been changed relatively more frequently since 1957.

Table 10.2 shows the history of the tax base, revenue, and revenue significance for six recent years.

The Montana Constitution requires that funds acquired by means of taxes measured by income must be allocated to the schools and to the state government. The most recent allocations are as follows: 64 percent to the general fund, 25 percent to the common school equalization fund, 11 percent to the long-range building program.

That portion allocated to the long-range building fund may revert to the general fund if revenue from cigarette and tobacco product taxes are sufficient to service the debt of the Long-Range Building Program.

Economic Aspects of the Corporation License Tax. Traditional incidence theory has held that a corporation income tax is neither shifted forward to consumers in the form of higher prices, nor backward to workers, to land, or to capital, in the form of lower wages, rents, or interest. On this view the full burden of the tax will come to rest on owners of businesses in the form of lower profits. This conclusion rests on two assumptions.

The first assumption is that the tax is imposed only on excess profits. A return in excess of what is considered a competitive return on the investment of the owners. The tax does not affect marginal producers who earn no excess profits. Because only excess profits are taxed, investment decisions are not affected by the tax, so that there will be no tendency for wages, interest, and rent to be affected by the tax.

The second assumption of the traditional argument is that firms act to maximize profits. They charge a price which generates as much revenue from the last unit sold as the production of that unit adds to total production costs. Because the corporate tax does not affect the cost of producing an extra unit of output, an increase in this tax will not result in any change in price. The same quantity of output and the same price will be optional after a tax increase. Thus, the consumers will not pay higher prices because of the corporate income tax.

If the traditional argument is correct, it is clear that there is double taxation of corporate income. The income of the corporation is taxed at the corporate level and again when the individual income tax is paid on dividends.

The above analysis, however, is not particularly applicable to the real world. First, corporate income taxes are not confined to the taxation of excess profits. Because corporate income taxes

TABLE 10.1

History of Montana Corporate License Tax Rates

Effective Dates	Basic Rate	Special Features
1917 to 1919	1.00 percent	$10,000 exempt
1919 to 1932	1.00 percent	2,500 exempt
1933 to 3-11-37	2.00 percent	minimum tax $ 5
3-12-37 to 12-30-57	3.00 percent	minimum tax $ 5
12-31-57 to 12-30-60	5.00 percent	minimum tax $10
12-31-60 to 2-27-65	4.50 percent	minimum tax $10
2-28-65 to 2-27-67	5.25 percent	minimum tax $10
2-28-67 to 2-27-69	5.50 percent	minimum tax $10
2-28-69 to 2-27-71	6.25 percent	minimum tax $50

Source: Montana Session Laws.

TABLE 10.2

History of Corporation License Tax Revenue and Base

Fiscal Year	Taxable Income	Collections	Percent Total Taxes
1963	$104,198,000	$4,723,213	6.40
1964	111,839,000	5,119,663	6.74
1965	129,647,000	5,871,235	7.38
1966	131,839,000	6,957,701	7.63
1967	142,977,000	7,607,809	8.20
1968	132,516,000	7,328,704	6.98

Source: Biennial Report, 1967-68, and prior issues, Montana State Board of Equalization.

State Government Finance in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in the State Board of Equalization report and total tax collection in State Government Finances.

do not allow for a normal rate of return, it is entirely possible and likely that the profits left to some firms after taxes will be less than a competitive return for the owners. In this case, investors will be less willing to continue in the venture and will probably look for other investments. If the tax is not universal so that there are differences between political regions, capital will tend to flow to regions in which higher profits are allowed. This process will continue until firms whose profits were not sufficient to cover the tax have been driven out. As the amount of capital available to use with labor declines, wages will fall and rent will be diminished in the taxing state. Thus, to the extent that the state corporate income tax is not on excess profits, it will be shifted over the long run from the owners of the firm. Labor will receive lower wages; landlords, lower rent; and because output will be lower in the taxing state, consumers will pay higher prices.

Within recent years, the conclusions drawn from orthodox economic theory have been challenged. It has already been noted that stockholders may not bear the full burden of the corporate tax over the long run because total net income, not just excess profits, are taxed. Another argument attacks the assumption that firms actually seek to maximize profits. Rather it has been argued that firms set prices at a level which will cover all costs, including taxes, and provide a fair return for capital. If this price is less than the actual profit maximizing price, firms will be able to increase prices without suffering a reduction in revenue or profits. Thus, if the corporate tax is increased, firms will raise prices to cover this increase in "cost" without sustaining a reduction in profits. The significance of this argument is that there may not be corporate income tax shifting over the long run as described above, but corporate income tax shifting will occur immediately and directly in the short run. In this case, consumers, not wages, rents, and profits, will bear the full burden of the tax.

While theory and empirical evidence of corporate tax shifting is conflicting, the argument that the state corporate income tax cannot be shifted forward to consumers in the form of higher prices seems pervasive. To argue otherwise is to imply that firms in an open economy can raise their prices at will and maintain a competitive position in the market. Montana corporations operate in an open economy. They are subject to powerful market forces which restrict their ability to fix prices and earn excess profits. Hence, it seems reasonable to conclude that close attention should be given to Montana's relative level of corporate taxation among the states. Rates of corporate income taxation in Montana should not get too far out of line with rates in other states.

Interstate Comparison of Taxes on Net Income of Corporation. Table 10.3 lists all those states which impose a corporate income tax or a franchise tax based on net incomes of corporations. Table 10.3

depicts comparative data regarding the major differences in structures of state taxes on corporate income as well as the current nominal rates.

The first major difference which exists among states is the allowance or disallowance of net operating loss carry-overs and carry-backs. Allowance of this deduction coincides with federal treatment of net operating losses which provides for carrying a loss back to the three preceding years and forward to the next five years. There are twenty-seven states which allow this treatment. Montana is one of the fourteen states which do not allow deduction of operating losses.

The effect of a failure to allow deductions for net operating losses is that corporations are required to pay income taxes in years in which they show net income but have no reduction in tax burden from years in which they have a net loss. The end result is that corporations having a net loss in some years and taxable income in other years bear a heavier tax burden relative to their incomes than corporations which show some taxable income every year. The following example serves as an illustration of this point.

Example of Effects of Disallowance of Net Operating Loss Deduction

Corporation A:	1969	1970	1971	1972	Four Year Total
Net Income (loss)	$50,000	($50,000)	30,000	70,000	$100,000
Tax at 6.25 percent or $50	3,125	50	1,875	4,375	9,425
Corporation B:					
Net Income	25,000	25,000	25,000	25,000	100,000
Tax at 6.25 percent	1,563	1,562	1,563	1,562	6,250

In this illustration, both Corporation A and Corporation B accumulated incomes of $100,000 over the four-year period. Corporation A sustained a loss of $50,000 in 1970, however. Due to the fact that this loss cannot be offset against the income of other years, Corporation A paid a total of $9,425 in corporation license tax while Corporation B paid only $6,250 on the same accumulation of income. Thus Corporation A paid taxes with an effective rate of 9.425 percent while Corporation B paid an effective rate equal to the nominal rate of 6.25 percent.

The allowance of deductions for net operating losses would undoubtedly result in some loss of revenue to the state. The exact amount of this loss is difficult to determine from available data. Some knowledge may be gained from the experience of other states. The state of Hawaii estimates the revenue lost from allowing such treatment at about 5.5 percent of total revenue. Oregon estimates

TABLE 10.3

Significant Features of State Taxes on Corporate Income

State	Net Operating Loss Deduction Allowed	Deduction of Federal Tax Allowed	Deduction of State Tax Allowed	Personal Income Tax	Percent of Capital Gains Taxed	Highest Nominal Rate (Percent)	Minimum Tax	Percent of Total Taxes
Alabama	–	x	–	x	100	5.00	$---	5.27
Alaska	x	–	–	x	100	9.50	---	6.01
Arizona	x	x	x	x	100	8.00	---	4.36
Arkansas	x	–	–	x	100	6.00	---	7.28
California	–	–	–	x	100	7.00	100	15.11
Colorado	x	–	–	x	100	5.00	---	-----
Connecticut	–	–	x	–	100	8.00	45	16.09
Delaware	x	–	–	x	100	6.00	---	7.99
Georgia	x	–	–	x	50	6.00	---	9.19
Hawaii	x	–	x	x	100	6.40	---	5.06
Idaho	x	–	–	x	50	6.00	10	8.22
Illinois	x	–	–	x	100	4.00	---	-----
Indiana[1]	–	–	–	–	---	----	---	-----
Iowa	x	x[2]	–	x	100	8.00	---	5.69
Kansas	x	x	–	x	100	4.50	---	5.51
Kentucky	x[3]	x	–	x	100	7.00	---	-----
Louisiana	–	x	–	x	100	4.00	---	4.71
Maine	x	–	–	x	100	4.00	---	-----
Maryland	–	–	–	x	50	7.00	---	-----
Massachusetts	–	–	x	–	100	7.50	---	11.90
Michigan	x	–	–	x	---	5.60	---	9.57
Minnesota	x	x	–	x	50	8.50	10	-----
Mississippi	x	–	–	x	100	4.00	---	4.59
Missouri	–	x	–	x	50	2.00	---	3.00
MONTANA	–	–	–	x	100	6.25	50	10.00
Nebraska	x	–	x	x	100	2.00	---	3.28
New Jersey	–	–	–	–	100	4.25	---	9.77
New Mexico	x	–	x	x	100	5.00	---	2.55
New York	x	–	–	x	100	7.00	---	9.15
North Carolina	x	–	–	x	100	6.00	---	-----
North Dakota	x	x	–	x	100	6.00	---	-----
Oklahoma	–	x	x	x	100	4.00	---	5.46
Oregon	x	–	–	x	100	6.00	10	11.59
Pennsylvania	–	–	x	–	100	12.00	---	13.38
Rhode Island	–	–	–	–	100	7.00	---	9.46
South Carolina	x[4]	–	–	x	100	5.00	---	9.23
Tennessee	x	–	x	–	100	5.00	---	10.78
Utah	–	x	–	x	100	6.00	10	5.51
Vermont	x	–	x	x	100	6.00	25	-----
Virginia	x[5]	–	–	x	100	5.00	---	1.01
West Virginia	x	–	–	x	100	6.00	---	10.07
Wisconsin	x	x[6]	x	x	100	7.00	---	7.53
Number	25	12	11	35	---	----	----	-----
Rank of Montana	--	--	--	--	---	15/41	2/41	8/32

Sources: All States Tax Guide (Commerce Clearing House).

State Tax Collections in 1969 (U.S. Dept. of Commerce, Bureau of the Census).

1. Indiana tax is not comparable.

2. Fifty percent of federal tax is deductible.

3. Allowed only for first year of operation.

4. Allowed only for first three years of operations.

5. Allowed manufacturing firms only.

6. Deduction limited to 10 percent of net income.

that revenue lost in that state totals 7.5 percent of revenue. The experience of these states suggests a revenue loss for Montana of approximately one-half million dollars per year.

Table 10.3 also indicates which states allow deduction of federal income taxes in determining state taxable income. Twelve states allow this deduction. Montana is not among this group. Again, data is not available for a reliable estimate of the cost to the state of allowing this deduction. In 1969, however, federal tax rates varied from 24.2 percent for corporations with net income of $25,000 or less to 52.8 percent on all income over $25,000. Thus the loss in revenue must be between these percentages. Data received from three other states which allow the federal deduction in computing state taxes show revenue losses ranging from 32 percent to 47 percent of current revenue.

Many states impose a personal income tax in addition to a corporate income tax. Thirty-five states including Montana are in this category. The significance of this is that dividends paid out of income which was already taxed at the corporate level will also be taxed when they are received by persons in these states. Thus, such income is subject to double taxation.

The highest nominal tax rates for each state are also shown. Because of variations among the states in the treatment of deductions, capital gains, and operating losses, these nominal rates are not truly comparable and do not represent effective tax rates. Looking only at these nominal rates. however, Montana ranks fifteenth out of forty states. Montana's minimum tax of $50 ranks second among all the states.

The treatment of capital gains varies from state to state. In thirty-five states, capital gains are fully taxable. Montana is among these states. Five states tax capital gains on only 50 percent of the capital gains realized by corporations. Michigan does not tax capital gains of corporations.

The final item in Table 10.3 is an indication of the significance of the corporate income tax as a percentage of total tax collections. Data was not available for nine of the states listed. Montana ranks high in the degree of reliance upon corporate income taxes. Only eight states receive a greater portion of their total state tax collections from this source. The states which rank higher than Montana in this respect are heavily industrialized states of the northeast and west coast.

Table 10.4 shows the total state and federal income taxes which corporations would pay in the various states at selected levels of income. Montana ranks high here. At income levels of $25,000 and $50,000, Montana ranks ninth out of forty-one. The rank is seventh at an income level of $100,000 and eleventh at $500,000.

Another way of looking at the real burden of state taxes is to examine the effective rate of taxation. Table 10.5 depicts the effective

TABLE 10.4

Total State and Federal Income Tax Liability of Corporations of Selected Sizes in States Imposing a Corporate Income Tax

State	Income of $25,000	Income of $50,000	Income of $100,000	Income of $500,000
Alabama	$6,884	$19,997	$46,967	$265,128
Alaska	6,841	17,579	49,192	276,778
Arizona	7,060	20,359	47,689	275,970
Arkansas	6,763	20,402	48,218	258,240
California	7,377	20,902	48,954	273,370
Colorado	6,988	20,430	48,010	268,650
Connecticut	7,454	20,998	49,147	274,333
Delaware	7,187	20,666	48,482	271,010
Georgia	7,187	20,666	48,482	271,010
Hawaii	7,270	20,769	48,688	272,039
Idaho	7,187	20,666	48,482	271,010
Illinois	6,808	20,194	47,538	266,290
Iowa	6,603	20,172	48,617	269,978
Kansas	6,704	19,919	46,832	247,872
Kentucky	6,884	20,060	47,269	264,662
Louisiana	6,630	19,623	46,698	261,540
Maine	6,808	20,194	47,538	266,290
Maryland	7,377	20,902	48,554	273,370
Massachusetts	7,671	21,268	49,686	277,028
Michigan	7,111	20,572	48,293	270,066
Minnesota	7,297	20,542	47,933	267,063
Mississippi	6,770	20,170	47,514	266,266
Missouri	6,339	19,544	46,169	259,170
MONTANA	7,234	20,725	48,600	271,600
Nebraska	6,543	19,864	46,877	261,570
New Jersey	6,855	20,253	47,656	266,880
New Mexico	6,998	20,430	48,010	268,650
New York	7,377	20,902	48,954	273,370
North Carolina	7,187	20,666	48,482	271,010
North Dakota	6,840	19,551	47,186	265,065
Oklahoma	6,630	19,623	46,698	261,540
Oregon	7,187	20,666	48,482	271,010
Pennsylvania	8,324	22,082	51,314	285,170
Rhode Island	7,377	20,902	48,954	273,370
South Carolina	6,998	20,430	48,010	268,650
Tennessee	6,998	20,430	48,010	268,650
Utah	6,925	20,149	47,240	263,961
Vermont	7,187	20,666	48,482	271,010
Virginia	6,998	20,430	48,010	268,650
West Virginia	7,187	20,666	48,482	271,010
Wisconsin	7,096	20,665	50,215	272,602
Montana Rank	9/41	9/41	7/41	11/41

Source: Montana Fiscal Affairs Study.

TABLE 10.5

Effective State Corporate Income Tax Rates Computed on Net Income Before the Federal and State Income Tax Deductions 1969

State	Effective Rate on $25,000 (Percent)	Effective Rate on $500,000 (Percent)
Alabama	3.84	2.50
Alaska	5.12	8.36
Arizona[2]	4.92	3.71
Arkansas	3.76	6.00
California	7.00	7.00
Colorado[2]	5.00	5.00
Connecticut	7.40	7.40
Delaware	6.00	6.00
Georgia	6.00	6.00
Hawaii	5.52	6.05
Idaho[2]	6.00	6.00
Illinois	4.00	4.00
Indiana[1]	----	----
Iowa	3.53	5.54
Kansas	3.45	2.25
Kentucky	3.84	3.53
Louisiana	3.06	2.03
Maine	4.00	4.00
Maryland	7.00	7.00
Massachusetts	7.88	7.88
Michigan	5.60	5.60
Minnesota	8.83	5.86
Mississippi	3.80	4.00
Missouri	1.52	1.02
MONTANA[2]	6.25	6.25
Nebraska	1.96	1.96
Nevada[2]	No Tax	No Tax
New Jersey	4.25	4.25
New Mexico[2]	4.76	4.76
New York	7.00	7.00
North Carolina	6.00	6.00
North Dakota	3.56	3.05
Oklahoma	2.94	1.91
Oregon	6.00	6.00
Pennsylvania	10.71	10.71
Rhode Island	7.00	7.00
South Carolina	5.00	5.00
Tennessee	4.76	4.76
Utah[2]	4.62	3.01
Vermont	5.66	5.66
Virginia	5.00	5.00
West Virginia	6.00	6.00
Wisconsin	5.16	5.85
Wyoming[2]	No Tax	No Tax
United States Average	5.21	5.14
Montana Rank	9/41	9/41

Sources: All States Tax Guide (Commerce Clearing House).

Montana Fiscal Affairs Study.

1. Indiana tax is not comparable.

2. One of eight Rocky Mountain states.

rates for each state at two different levels of income. The effective rates are computed to put all states on a comparable basis by taking into consideration the deductibility of federal taxes and the deductibility of the states own income tax. There are eleven states which allow this latter provision. The rates are based on net income before deduction of federal or state income taxes. Thus, for example, in Alabama state income taxes on an income of $25,000 before deduction of state or local income taxes would amount to 3.84 percent of %25,000 or $960. The nominal rate for Alabama is 5 percent. Since Montana does not allow either of these deductions, the nominal and effective rates are both 6.25 percent.

For most purposes, these two rates may be considered as maximum and minimum effective rates. There are exceptions to this generalization which are caused by a few states which have graduated rate structures at low income levels.

Montana's effective rate is well above average for both maximum and minimum rates. Montana's rate is 6.25 percent where the national average maximum and minimum are 5.21 percent and 5.16 percent respectively. Montana ranks ninth out of the forty-one states in both the maximum and minimum rates.

If Montana is compared with the other seven mountain states (Arizona, Colorado, Idaho, Nevada, New Mexico, Utah, and Wyoming) it is apparent that Montana's rates are well above the averages in the six mountain states which impose comparable taxes. All of the other mountain states have both maximums and minimums which are lower than those of Montana. These other states also rely much less heavily on the corporate income tax as a source of revenue.

It is also interesting to note that in ten of the twelve states which allow the federal tax deduction, the effect of this provision coupled with a nongraduated state tax rate is that the effective tax rates are higher at the lower income level than they are at the higher incomes. The effect of allowing the federal tax deduction is to transform a flat state tax rate into a regressive rate structure. This is caused by the increase in the deduction when federal taxable income exceeds the $25,000 bracket.

An Empirical Investigation of the Taxation of Corporations. This section presents some empirical data which is relevant to the impact of taxes of all types on corporations. The data presented here were obtained by a complete survey of corporate license tax returns filed during fiscal 1969. The information is presented for twenty-one classes of industries which correspond with the classification scheme used by the Internal Revenue Service. Data is also presented according to several distinguishable types of corporations.

Some caution should be used in examination of data by industry. Each corporation was classified according to the classification of its principal business. Thus the Anaconda Company is most likely included in the metal mining industry although smelting operations do not belong in that category. The determination of industry classification was made by personnel of the State Board of Equalization who compiled the raw data.

It should also be noted that corporations which are not required to file corporate license tax returns are not included in this data. Some notable exceptions caused by this fact are rural electric and telephone cooperatives.

Table 10.6 shows the number of corporations in each category. As would be expected for Montana, the largest number are found in retail trade followed by agriculture. In addition to the firms considered in Table 10.6, there are approximately 1,500 corporations which are inactive, exempt, or otherwise free from liability of the corporate license tax. These are not included in the data of this section.

Table 10.7 shows the amount of corporate license tax paid by each category of corporations. Looking at the industry groups, we find that the largest amounts are paid by manufacturing; and electric, gas, and water utilities. Agriculture, metal mining, and crude oil and natural gas which are generally considered Montana's most important industries pay considerably lesser amounts of the Corporate License Tax. This table also shows that a very large portion of the tax is paid by apportioning multistate firms.

Multistate firms paid $4.6 million in corporate license tax while domestic firms paid only $3.1 million. In spite of the importance of the extractive industries, the total tax paid by metal mining, coal, crude oil and natural gas, and other mining was only $789,000.

Table 10.8 represents the percentages of corporate license tax contributed by each category of corporation. Looking at the detail, we see that the largest single amount is paid by the apportioning public utilities group. Second place is held by domestic manufacturing followed by apportioning firms in the communication industry. Apportioning metal mining and crude oil and natural gas firms rank sixth and ninth respectively.

It is also of interest in Table 10.8 to note that 57.44 percent of the tax is paid by apportioning firms which pay more than the minimum tax. Table 10.6 shows that these firms comprise only 9.47 percent of the corporations paying the corporate license tax. Domestic firms which pay the minimum tax comprise nearly 44 percent of the total number of firms and pay less than one percent of the tax. Income from small business corporations which account for half of the domestic corporations flow their income through to the owners individual income tax returns. Income from these corporations is taxed at the marginal rates of the individual shareholders of the small business corporations.

TABLE 10.6

Numbers of Corporations Paying License Tax
By Industry and By Type of Corporation
Returns Filed Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Small Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Apportioning Small Business Corporations	Total	Percent of Total
Agriculture	308	434	162	14	6	8	2	934	14.33
Forestry	7	2	---	--	--	1	--	10	.15
Metal Mining	5	5	21	4	2	4	--	41	.63
Coal	1	---	2	--	--	--	--	3	.05
Crude Oil & Nat. Gas	27	12	40	77	35	38	1	230	3.53
Other Mining	5	2	4	5	2	3	--	21	.32
Construction	127	92	93	52	67	36	--	467	7.17
Manufacturing	153	80	60	13	179	41	--	526	8.07
Transportation	50	18	23	13	30	14	--	148	2.27
Communication	34	9	16	2	5	1	--	67	1.03
Electric, Gas, & Water	4	1	8	3	4	--	--	20	.31
Wholesale Trade	161	70	50	7	54	21	--	363	5.57
Retail Trade	594	388	273	24	94	23	--	1,396	21.43
Finance, Insurance, & Real Estate	338	82	220	25	39	20	--	724	11.11
Banks	---	---	---	--	--	--	--	---	-----
Bldg. & Loans	7	---	1	--	--	--	--	8	.12
Credit Unions	14	---	8	--	--	--	--	22	.34
Services	238	160	194	17	80	37	1	727	11.16
Unallocable	18	6	26	4	2	--	--	56	.86
Rentals	297	19	237	21	15	10	--	599	9.20
Cooperatives	101	---	46	--	3	2	--	152	2.33
Total	2,489	1,380	1,484	281	617	259	4	6,514	
Percent of Total	38.21	21.19	22.78	4.31	9.47	3.98	.06		

Source: "Enumeration of data on 1969 Montana Corporate License Tax Returns" (Montana Fiscal Affairs Study).

TABLE 10.7

Montana Corporate License Tax Receipts
By Industry and By Type of Corporation
Returns Filed Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Small Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Total	Percent of Total
Agriculture	$ 345,456	$ 4,300	$ 1,690	$ 3,398	$ 2,756	$ 100	357,700	4.6
Forestry	30,780	20	-----	------	-------	10	30,810	.4
Metal Mining	287	30	190	------	388,638	70	389,215	5.0
Coal	8,857	-----	20	------	-------	-----	8,877	.1
Crude Oil & Nat. Gas	22,462	120	400	14,611	342,449	400	380,442	4.9
Other Mining	4,885	-----	40	2,471	2,857	30	10,283	.1
Construction	241,005	1,900	1,160	57,761	45,778	350	347,954	4.5
Manufacturing	804,505	800	640	26,032	676,559	450	1,508,986	19.4
Transportation	55,582	180	310	4,406	299,159	140	359,777	4.6
Communication	67,928	1,080	200	10	769,173	10	838,401	10.8
Electric, Gas & Water	27,408	10	120	------	1,409,061	-----	1,436,599	18.5
Wholesale Trade	177,166	690	700	473	60,198	250	239,477	3.1
Retail Trade	628,398	3,870	3,200	30,019	378,199	230	1,043,916	13.4
Finance, Insurance, & Real Estate	316,324	800	2,360	1,903	29,451	190	351,028	4.5
Banks	-------	-----	-----	------	-------	-----	--------	----
Bldg. & Loans	33,477	-----	10	------	-------	-----	33,487	.4
Credit Unions	3,528	-----	80	------	-------	-----	3,608	----
Services	157,628	1,590	2,060	13,169	58,006	1,400	233,853	3.0
Miscellaneous	6,633	50	350	8,241	111	-----	15,385	.2
Rentals	156,171	180	380	2,220	941	1,130	161,022	2.1
Cooperatives	24,262	-----	490	------	8,349	20	33,121	.4
Total	$3,112,742	$15,620	$14,400	$164,714	$4,471,685	$4,780	$7,783,941	
Percent of Total	40.0	.2	.2	2.1	57.4	------		

Source: Montana Fiscal Affairs Study.

TABLE 10.8

Percentage Contributions to Montana Corporation License Tax Receipts
By Industry and By Type of Corporation
Returns Filed Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Small Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Percent of Total[1]	Rank
Agriculture	4.43	.05	.02	.04	.03	---	4.59	8
Forestry	.39	---	---	---	----	---	.39	16
Metal Mining	-----	---	---	---	4.99	---	5.00	5
Coal	.11	---	---	---	----	---	.11	19
Crude Oil & Nat. Gas	.28	---	---	.18	4.39	---	4.88	6
Other Mining	.06	---	---	.03	.03	---	.13	18
Construction	3.09	.02	.01	.74	.58	---	4.47	10
Manufacturing	10.33	.01	---	.33	8.69	---	19.38	1
Transportation	.71	---	---	.05	3.84	---	4.62	7
Communication	.87	.01	---	---	9.88	---	10.77	4
Electric, Gas, & Water	.35	---	---	---	18.10	---	18.45	2
Wholesale Trade	2.27	---	---	---	.77	---	3.07	11
Retail Trade	8.07	.04	.04	.38	4.85	---	13.41	3
Finance, Insurance, & Real Estate	4.06	.01	.03	.02	.37	---	4.50	9
Banks	-----	---	---	---	----	---	----	21
Bldg. & Loans	.43	---	---	---	----	---	.43	14
Credit Unions	.04	---	---	---	----	---	.04	20
Services	2.02	.02	.02	.16	.74	.01	3.00	12
Unallocable	.08	---	---	.10	----	---	.19	17
Rentals	2.00	---	---	.02	.01	.01	2.06	13
Cooperatives	.31	---	---	---	.10	---	.42	15
Total	39.98	.20	.18	2.11	57.44	.06		

Source: Montana Fiscal Affairs Study.

1. Detail may not add to totals due to rounding.

An indication of the amount of business which a firm does in Montana can be obtained from a consideration of the gross receipts which are solely attributable to Montana in the case of wholly domestic firms or allocable to the state according to the allocation formula. Table 10.9 shows the gross receipts for each category of corporations. Looking at industries, we see that the largest amount of gross income is derived by the crude oil and natural gas industry, followed by manufacturing. The data shows that by far the largest gross receipts are earned by firms in the crude oil and natural gas industry which use the separate accounting method of reporting. These firms report gross income of nearly \$1.1 billion. The next place is held by domestic firms paying more than the minimum tax which are engaged in retail trade with slightly less than \$.14 billion. Nevertheless, these retail firms pay over 1.8 times as much corporate license tax as crude oil and natural gas firms. In contrast, the electric, gas, and water utilities which pay nearly 18.5 percent of the license tax have only 1.6 percent of the gross receipts.

The size of gross receipts in Montana may be considered unreasonably large in some cases. However, some corporations earn tremendous gross receipts nationally. Very small apportionment factors allocate large gross receipts to Montana--in Montana terms.

Table 10.10 shows the percentage contribution to gross receipts of each industry by type of corporation. This information can be readily compared with that given in Table 10.8. Not all of the discrepancies between gross receipts and license tax paid are in the same direction as that of the crude oil and natural gas industry. Apportioning firms paying over the minimum tax have only 22 percent of the gross receipts and pay 57 percent of the corporate license tax. A tendency for gross receipts to be more equally distributed among corporations with the various types of filing would be expected, however, because corporations which pay the minimum tax have sustained losses which eliminate the need to pay the corporate license tax although they may have large gross receipts.

Table 10.11 shows the Montana corporate license tax as a percentage of gross income allocable to Montana. Many entries in the table round to zero. Looking at the averages for each industry, we see that the electric, gas, and water utilities rank first with 2.42 percent. The crude oil and natural gas corporations average only .02 percent. There are also wide discrepancies within some industries. While the average for domestic metal mining corporations is 2.3 percent, apportioning firms paying over the minimum average only .2 percent. Whether or not one considers these differences to be desirable or undesirable depends on the criteria for taxation. In any case, the differences exist because of the unique relations of profit to gross income within and among industries. One year's data can hardly be used to generalize such relations over time. These percentages also represent the rate structure which would have to be used for a gross receipts tax to maintain the same relative burden among industries while raising the amount of revenue currently raised by the corporate license tax.

TABLE 10.9

Gross Income of Domestic Corporations and Gross Income Apportioned to Montana By Industry and By Type of Corporation Returns Filed in Fiscal 1969

	Domestic Corporations Paying Over Minimum (000)	Domestic Small Business Corporations (000)	Domestic Corporations Paying Minimum (000)	Corporations Using Separate Accounting (000)	Apportioning Corporations Paying Over Minimum (000)	Apportioning Corporations Paying Minimum (000)	Total (000)
Agriculture	53,980	42,542	16,722	1,833	1,029	289	116,395
Forestry	8,737	316	------	---------	-------	5	9,058
Metal Mining	12	98	510	---------	186,715	169	187,504
Coal	642	------	497	---------	-------	-------	1,139
Crude Oil & Nat. Gas	3,162	1,932	3,363	1,090,691	125,420	55,552	1,280,120
Other Mining	909	245	140	6,478	1,027	533	9,332
Construction	78,878	23,700	26,405	103,885	28,834	7,580	269,282
Manufacturing	224,059	33,505	18,283	47,275	246,961	462,449	1,032,532
Transportation	18,373	5,408	7,178	15,720	41,973	146,654	235,306
Communication	7,623	747	1,113	16	53,331	587	63,417
Electric, Gas, & Water	6,223	15	23	---------	74,189	-------	80,450
Wholesale	162,527	46,903	82,705	35,222	37,831	2,556	367,744
Retail	388,454	153,446	80,072	18,392	181,210	13,761	835,335
Finance, Insurance, & Real Estate	31,585	6,893	16,265	6,921	3,330	3,238	68,232
Banks	-------	------	------	---------	-------	-------	---------
Bldg. & Loans	4,777	------	1,203	---------	-------	-------	5,980
Credit Unions	1,431	------	223	---------	-------	-------	1,654
Services	50,063	16,189	14,417	67,534	20,858	3,397	172,458
Miscellaneous	1,843	179	2,226	189	19	-------	4,456
Rentals	10,779	493	4,980	2,922	406	202	19,782
Cooperatives	52,649	------	23,237	---------	76,267	10,567	162,720
Total	1,106,706	332,611	299,562	1,397,078	1,079,400	707,539	4,922,896

Source: Montana Fiscal Affairs Study.

TABLE 10.10

Percentage Contribution to Domestic and Apportioned Montana Gross Income By Industry and By Type of Corporation Returns Filed in Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Small Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Percent of Total[1]	Rank
Agriculture	1.09	.86	.33	.03	.02	-----	2.36	10
Forestry	.17	----	----	-----	-----	-----	.18	15
Metal Mining	----	----	.01	-----	3.79	-----	3.80	7
Coal	.01	----	.01	-----	-----	-----	.02	20
Crude Oil & Nat. Gas	.06	.03	.06	22.15	2.54	1.12	26.00	1
Other Mining	.01	----	----	.13	.02	.01	.18	15
Construction	1.60	.48	.53	2.11	.58	.15	5.46	5
Manufacturing	4.55	.68	.37	.96	5.01	9.39	20.97	2
Transportation	.37	.10	.14	.31	.85	2.97	4.77	6
Communication	.15	.01	.02	-----	1.08	.01	1.28	13
Electric, Gas, & Water	.12	----	----	-----	1.50	-----	1.63	11
Wholesale Trade	3.30	.95	1.68	.71	.76	.05	7.47	4
Retail Trade	7.89	3.11	1.62	.37	3.68	.27	16.96	3
Finance, Insurance, & Real Estate	.64	.14	.33	.14	.06	.06	1.38	12
Banks	----	----	----	-----	-----	-----	-----	--
Bldg. & Loans	.09	----	.02	-----	-----	-----	.12	17
Credit Unions	.02	----	----	-----	-----	-----	.03	19
Services	1.01	.32	.29	1.37	.42	.06	3.56	8
Unallocable	.03	----	.04	-----	-----	-----	.09	18
Rentals	.21	.01	.10	.05	-----	-----	.40	14
Cooperatives	1.06	----	.47	-----	1.54	.21	3.30	9
Total	22.48	6.75	6.08	28.37	21.92	14.37	100.00	

Source: Montana Fiscal Affairs Study.

1. Detail may not add to totals due to rounding.

TABLE 10.11

License Tax as Percent of Montana Gross Income For Returns Filed in Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Small Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Average
Agriculture	.64	.01	---	.18	.04	.01	.30
Forestry	.35	---	---	----	----	.20	.34
Metal Mining	2.39	.03	.03	----	.20	---	.15
Coal	1.37	---	---	----	----	---	.77
Crude Oil & Nat. Gas	.71	---	.01	----	.26	---	.02
Other Mining	.53	---	.02	.03	.27	---	.09
Construction	.30	---	---	.05	.15	---	.12
Manufacturing	.35	---	---	.05	.27	---	.14
Transportation	.30	---	---	.02	.66	---	.13
Communication	.89	.01	---	.06	1.15	---	1.28
Electric, Gas & Water	.44	.06	.35	----	1.89	---	2.42
Wholesale Trade	.10	---	---	.01	.15	---	.06
Retail Trade	.16	---	---	.58	.20	---	.12
Finance, Insurance & Real Estate	1.00	.01	.01	.02	.86	---	.49
Banks	----	---	---	----	----	---	----
Bldg. & Loans	.70	---	---	----	----	---	.56
Credit Union	.24	---	.03	----	----	---	.21
Services	.31	---	.01	.05	.27	---	.13
Unallocable	.36	.02	.01	4.69	.59	---	.30
Rentals	1.44	.03	.04	.07	.23	.03	.29
Cooperatives	.04	---	---	----	.01	---	.02
Average	.28	---	---	.01	.40	.30	.15

Source: Montana Fiscal Affairs Study.

Information was also obtained regarding other taxes paid by corporations. This data consisted of the amount of property tax reported as being paid on total state and local taxes reported. There is some question concerning the significance of the reported total state and local taxes. This arises from differences in reporting payroll taxes. Some firms included payroll taxes in the state and local tax figure while others considered them a payroll expense and deducted them in the cost of goods sold section on the corporate return. The Board of Equalization personnel who compiled the data attempted to determine the amounts of taxes and include them in state and local taxes wherever possible. Thus the figures must be interpreted as being overstated if one wishes to disregard payroll taxes. The figures will be generally understated if inclusion of payroll taxes is desired.

Table 10.12 shows total state and local taxes as a percent of net income after expenses but before any taxes are paid. These figures include the corporate license tax as well as all other state and local taxes. As noted on the table, an asterisk indicates that the industry showed negative net income before taxes. In these cases, the information is meaningless. Those entries where the percentage is 100 percent or more indicate that the industry showed a net loss after taxes but had some positive net income before any state and local taxes. Probably the most useful information is that contained in the column headed domestic firms paying over minimum. The data there contains only the Montana tax structure and is not distorted by net losses and the like. It can be seen that there is wide disparity among industries in this column. It should also be noted that the high percentages associated with cooperatives does not necessarily indicate a heavy tax burden. These organizations deduct patronage dividends as an expense and are not in theory supposed to show a significant profit beyond that which is needed for reinvestment in the business. Excluding cooperatives, therefore, the highest effective rate is found in the miscellaneous industry category. The lowest is found in building and loan associations followed by metal mining.

This table also gives some indication of the relative rates of Montana taxes as compared with those of other states. If we compare domestic firms paying over the minimum with apportioning firms paying over the minimum, some indication can be obtained of the relative rates. In general rates seem to be fairly parallel in terms of which industries are high and which are low. An obvious exception to this statement is the crude oil and natural gas industry. The average in Montana is 23 percent whereas the average for apportioning firms is shown to be 44 percent. Phenomena such as this may indicate a real difference in tax structures or they may represent differences in the types of operations carried on in Montana as compared with other states in which the firms under consideration operate. This question cannot be resolved without considerably more information about the corporations involved. The service industry also shows a fairly large difference. Again, the reason

TABLE 10.12

Total State and Local Taxes as Percent of Net Income Before any Tax For Corporations Filing Returns During Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Small Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Average
Agriculture	28	52	*	*	21	1,302	32
Forestry	24	7	-----	--	--	24	24
Metal Mining	16	741	*	*	12	8	11
Coal	26	---	*	--	--	-----	61
Crude Oil & Nat. Gas	23	41	*	34	44	41	45
Other Mining	26	28	*	30	29	*	136
Construction	29	43	*	17	23	48	26
Manufacturing	21	17	*	*	20	62	26
Transportation	46	75	244	52	41	67	48
Communication	21	21	-----	*	33	111	34
Electric, Gas, & Water	46	*	7,350	*	38	-----	39
Wholesale Trade	34	20	93	88	17	*	19
Retail Trade	29	28	*	12	29	44	30
Finance, Insurance, & Real Estate	15	16	*	11	16	7	11
Banks	--	---	-----	--	--	-----	---
Bldg. & Loans	11	---	117	--	--	-----	16
Credit Unions	29	---	*	--	--	-----	32
Services	35	40	*	51	18	14	26
Miscellaneous	52	5	*	12	14	-----	33
Rentals	34	61	*	23	40	9	45
Cooperatives	54	---	*	--	87	97	88
Average	28	35	*	33	26	57	29

Source: Montana Fiscal Affairs Study.

* Negative net income before any tax.

cannot be readily determined. The average effective rate for domestic service industry firms is slightly higher than that for apportioning firms.

Additional information is available about property taxes paid. Table 10.13 shows property taxes as a percent of net income before taxes. This table is not subject to the limitation imposed by the uncertainty of payroll taxes above. It is, however, subject to the difficulties caused by negative net income before taxes. For this reason, the most significant columns are those for corporations paying over the minimum tax. The effective Montana rate is higher than that imposed on apportioning firms in most industries. Furthermore, the average for domestic corporations is nearly double that for apportioning firms. This indicates that the Montana property tax on business is significantly higher than business property taxes elsewhere. It is possible, however, that this phenomenon is caused by drastic differences in the type of operations carried on in Montana and elsewhere. In the case of transportation and public utilities, the reason for significantly higher property tax rates is obvious. These industries are property intensive in Montana.

One industry which does not follow this trend is the crude oil and natural gas industry. Here the Montana tax is only one-fifth the rate for apportioning firms. As before, the figures for cooperatives are not particularly significant because of the special nature of their purpose and operations. Property taxes paid by the services industry also are considerably higher for domestic firms than for apportioning firms. In fact the average Montana rate is over eight times as high as that reported by apportioning firms.

Another way to look at the burden of taxes is as a percentage of gross income. Table 10.14 shows them in this way. This measure has the advantage that problems are not encountered from industries showing negative net income before taxes so that a more meaningful figure is derived in all cases. The bottom line shows the average state and local taxes as a percent of gross income for each of the types of corporations. We see that state and local taxes on domestic corporations are generally a smaller percentage of gross income than is the case for multistate corporations. As before, the highest average is found in the electric, gas, and water utilities. The industry average for agriculture is very low, but the rank is considerably higher when we compare only Montana industries with each other.

Consideration of the amount of gross income or the revenue significance of a percentage of it can be very misleading. Gross income contains no reflection of ability to pay. Except insofar as a corporation may be able to increase prices and in this way pass some of the tax forward to buyers of products, only net income is really available to pay taxes. Table 10.15 shows net income allocated to Montana as a percentage of gross income allocated to Montana. Comparing the average for domestic firms paying over the minimum with that of apportioning firms paying over the minimum, we find that the profitability of the apportioning firms is significantly

TABLE 10.13

Property Tax as Percent of Net Income Before Taxes
For Corporations Filing Corporate License Tax in Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Small Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Average
Agriculture	19.3	45.4	*	*	13.1	383.1	23.3
Forestry	8.4	-----	-----	----	----	17.7	8.9
Metal Mining	4.1	298.4	*	----	5.6	-----	3.7
Coal	4.6	-----	*	----	----	-----	2.5
Crude Oil & Nat. Gas	1.8	14.2	*	6.6	8.3	23.2	11.1
Other Mining	12.6	12.1	*	8.4	----	*	81.6
Construction	5.8	13.8	*	1.6	17.3	24.0	17.7
Manufacturing	6.3	6.0	*	*	4.6	16.3	5.5
Transportation	8.7	14.7	157.8	21.8	5.9	6.1	6.1
Communication	9.1	10.9	*	----	22.1	-----	18.4
Electric, Gas, & Water	30.5	*	150.0	----	29.4	-----	29.4
Wholesale Trade	13.1	6.9	40.3	3.3	4.5	*	5.2
Retail Trade	10.9	11.8	*	4.7	6.3	12.6	6.6
Finance, Insurance & Real Estate	5.6	6.0	*	7.9	.7	.1	8.5
Banks	----	-----	-----	----	----	-----	----
Bldg. & Loans	3.6	-----	103.3	----	----	-----	7.6
Credit Unions	14.2	-----	-----	----	----	-----	14.7
Services	13.0	15.8	*	7.5	1.6	*	3.5
Unallocable	21.0	-----	*	----	6.7	-----	13.3
Rentals	21.3	138.6	471.4	17.8	8.7	*	14.0
Cooperatives	31.1	-----	*	----	78.9	17.9	49.5
Average	10.8	17.7	*	4.34	5.8	16.3	6.6

Source: Montana Fiscal Affairs Study.

TABLE 10.14

All State and Local Taxes as a Percent of Gross Income for Corporations Filing Corporate License Tax in Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Small Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Average
Agriculture	3.7	4.8	3.5	9.7	.2	1.2	.4
Forestry	1.9	.3	---	---	---	.3	1.8
Metal Mining	7.4	3.0	6.1	---	3.6	1.4	2.4
Coal	8.4	---	7.4	---	---	---	8.0
Crude Oil & Nat. Gas	3.8	1.8	13.0	5.4	6.0	1.5	5.2
Other Mining	3.2	2.8	2.6	.6	5.9	2.6	3.5
Construction	2.1	2.0	2.5	1.0	---	1.7	1.5
Manufacturing	1.7	1.1	1.8	2.2	2.0	4.6	2.4
Transportation	4.5	7.2	6.5	.2	6.0	5.3	5.1
Communication	4.2	4.2	4.1	19.7	13.3	4.5	8.5
Electric, Gas, & Water	6.5	4.2	5.2	---	11.9	---	11.6
Wholesale Trade	1.0	.7	1.9	9.5	.8	1.7	.8
Retail Trade	1.1	1.0	1.2	3.2	2.1	1.3	2.0
Finacne, Insurance, & Real Estate	3.1	1.4	3.1	7.4	2.6	2.7	2.6
Banks	---	---	---	---	---	---	---
Bldg. & Loans	1.6	---	2.7	---	---	---	1.8
Credit Unions	1.8	---	.3	---	---	---	1.6
Services	3.0	3.5	3.7	3.4	1.8	1.3	5.2
Miscellaneous	6.8	3.3	1.6	4.9	1.2	---	2.8
Rentals	12.7	5.6	16.5	3.3	3.7	.7	4.0
Cooperatives	.9	---	.7	---	.7	.4	.6
Average	1.8	1.8	2.4	4.2	2.5	3.6	2.6

Source: Montana Fiscal Affairs Study.

TABLE 10.15

Montana Net Income as a Percent of Montana Gross Income for Corporations Filing Corporate Licenses Tax in Fiscal 1969

	Domestic Corporations Paying Over Minimum	Domestic Snall Business Corporations	Domestic Corporations Paying Minimum	Corporations Using Separate Accounting	Apportioning Corporations Paying Over Minimum	Apportioning Corporations Paying Minimum	Average
Agriculture	10.1	4.3	11.1	-23.3	4.90	-42.00	4.30
Forestry	6.4	4.0	-----	-----	----	------	7.00
Metal Mining	42.1	- 2.6	-52.3	-----	3.80	-10.50	3.80
Coal	25.1	-----	-18.9	-----	----	------	5.90
Crude Oil & Nat. Gas	12.9	2.6	-25.8	- .3	4.80	- 3.20	.10
Other Mining	9.4	6.9	-34.9	.2	5.10	-25.20	- .10
Construction	5.5	2.6	- 7.9	.8	2.80	- 5.20	1.60
Manufacturing	6.5	5.2	- 9.7	.9	5.00	- .57	2.40
Transportation	5.5	2.3	- 3.9	.2	12.10	- 6.60	-2.25
Communication	16.2	15.6	-12.7	-----	21.00	- 2.60	20.00
Electric, Gas, & Gater	8.0	-12.8	- 4.7	-----	34.50	------	32.50
Wholesale Trade	2.0	2.8	- .6	-----	2.70	- 3.40	1.60
Retail Trade	2.9	2.5	- 2.5	2.6	3.70	- .60	2.40
Finance, Insurance, & Real Estate	18.0	7.2	- 8.3	.4	15.60	- 2.75	9.70
Banks	----	-----	-----	-----	-----	------	-----
Bldg. & Loans	12.7	-----	- .4	-----	-----	------	10.10
Credit Unions	4.5	-----	- 2.6	-----	-----	------	3.60
Services	5.7	5.0	- 7.8	.2	4.90	- 2.60	2.10
Unallocable	6.5	54.9	- 3.2	79.4	10.60	------	6.70
Rentals	26.0	2.0	-13.0	1.1	4.20	- .63	11.00
Cooperatives	.8	-----	- 1.0	-----	.19	- .03	.20
Average	5.0	3.3	- 4.3	- .1	7.30	- 2.20	2.30

Source: Montana Fiscal Affairs Study.

higher than that of domestic firms. Industry averages show that the electric, gas, and water industry which pays the highest percentage of net before taxes in state and local taxes is also the most profitable in its relation of net to gross. Similar relationships can be found elsewhere. Combining Tables 10.14 and 10.15 provides a comparison similar to that of Table 10.12. However, the concept of income used in Table 10.12 is not the same as that used in Table 10.15. Table 10.12 used income before any taxes while Table 10.15 uses income after state and local taxes except for the Montana license tax.

Many more specific comparisons can be drawn from each of the tables presented in this section. It would seem, however, that most of these can be more efficiently made by readers with a specific interest in mind. The goal of the comparisons presented here has been primarily to demonstrate the types of comparisons which might be made from the tables and to point out dangers of interpretation which should be considered rather than an exhaustive description of the data.

Severance Taxes

In addition to revenue needs, there is another argument used to justify the imposition of severance taxes on a state's mineral production. This is the view that mining imposes costs on society which do not appear as costs to producers. The state's mineral resources are an irreplaceable natural heritage. When they are mined, the state loses a valuable asset forever. A severance tax expropriates part of the return associated with the depletion of this asset and in the interest of conservation reduces output by increasing producer cost.

A basic assumption of severance taxation is that future generations will have a need for mineral resources similar to those utilized in the present. If mineral resources are considered scarce today and become plentiful tomorrow because of technological advances, a severance tax will result in misallocation and a wasting of resources.

Montana has five taxes which properly fall into this category. These are the metal mines tax, oil production tax, coal tax, cement tax, and micaceous minerals tax. This latter is more commonly known as the Vermiculite License Tax. The state also imposes a tax on the production of carbon black. No revenue has been obtained from the tax on carbon black since 1932, however, and it will not be considered in this study.

An additional tax which will be considered in this section is the net proceeds portion of the property tax which is imposed on the net proceeds of extractive industries.

Metal Mines License Tax. *Provisions of the Montana tax on metal mines.* The license tax on metal mines was established by Initiative Number 28, 1925. The laws pertaining to the tax are now found in Chapter 20, Title 84, Revised Codes of Montana, 1947.

Every person operating mining property from which gold, silver, copper, lead, and other metal, precious or semi-precious stones are extracted must pay the tax.

The tax is levied as a percent of the value of the gross product of the company. The graduated rate structure is shown in Table 10.16.

Table 10.17 shows the history of the tax base, collections, and revenue significance of the tax for recent years.

All proceeds of the metal mines tax are placed in the general fund.

Economic aspects of the metal mines tax. Metal mining in Montana is nearly synonymous with copper mining. In 1968 the gross value of copper produced in Montana was $50,063,000. This was over 94 percent of the gross value of production from metal mining in Montana.

While Montana is a large producer of copper, it is still small relative to the total copper market. In 1968 Montana's copper mines accounted for only 6 percent of the total United States production and 1 percent of the total world production of this internationally traded commodity. It appears reasonable to conclude that the output decisions of Montana copper producers have little direct or perceivable influence on the world copper price. Any amount of Montana copper can be sold at the price as given by the market; but at a higher price, none could be sold. Thus, it would seem to be impossible for producers in this state to pass the burden of taxes to copper buyers by means of higher prices. Any increase in tax burden would serve only to increase the cost of producing copper in Montana. This increase in the tax in turn would most likely result in the curtailment of marginal mines in Montana. The resulting decrease in copper production would not be sufficient in terms of the world market to cause the price of copper to rise.

The reduced level of production would lower profits for the owners and either employment opportunities or wages for the workers. The decline in profits would pass some of the burden of the tax to stockholders who reside outside of Montana so that part of the burden would not be borne by Montana residents.

Furthermore, the reduction of profitability of operations in Montana would likely reduce investment in the state in the future. This, coupled with the secondary effects of reduced employment as felt by the suppliers of other goods and services (wholesalers,

TABLE 10.16

Metal Mines Tax Rate Structure, 1969

First	$100,000	.15 Percent
Second	150,000	.575 Percent
Third	150,000	.86 Percent
Fourth	100,000	1.15 Percent
Over	500,000	1.43 Percent

Source: Revised Codes of Montana

TABLE 10.17

History of Metal Mines Tax Base and Revenue, 1963-1968

Fiscal Year	Value of Gross Product	Collections	Percent Total Taxes
1963	$ 69,365,711	$ 818,174	1.11
1964	61,369,699	701,312	.92
1965	79,597,890	905,207	1.14
1966	99,348,675	1,135,743	1.25
1967	103,376,354	1,200,734	1.29
1968	53,140,563	622,239	.59

Sources: Biennial Report, 1967-68 and prior years, Montana State Board of Equalization.

State and Government Finances in 1968 and prior issues, (U.S. Dept. of Commerce, Bureau of the Census).

retailers, etc.) would probably tend to intensify the adverse effects on residents of Montana. Of course, the extent of the effects of a particular tax would depend on the importance of marginal operations which became insufficiently profitable due to increased taxation.

Since the market price of copper is essentially nationally and internationally determined, the utilization of Montana copper depends on its quality and ultimately the costs of extraction and processing. It seems reasonably clear that taxation affects these costs and thereby changes the competitive position of Montana copper because producers are likely to seek out the most profitable deposits. Thus the ultimate effect of increased taxation is to change (reduce) the rate of copper resource utilization in Montana.

Interstate comparison of taxes on metal mining. There are six states besides Montana which have reasonably comparable taxes on metal mines. These are Idaho, Nevada, New Mexico, Oklahoma, Utah, and Wyoming. South Dakota had such a tax, but it was recently repealed. Other states tax production from metal mines also. These are states such as Minnesota, however, where the primary minerals are iron ore and taconite. Since these are not important products in Montana, these states have been ignored.

Table 10.18 shows the nominal base and rate for each state.

The actual status of the Nevada tax is unclear. No mention is made of a net proceeds tax similar to that Montana imposes under the property tax. Whether the tax is in lieu of or in addition to a property tax is unclear. Without knowledge of the relationship between gross value and net proceeds, we cannot compare Montana's tax with those of states using net proceeds as a basis. Other comparisons can be made. The tax in Wyoming is higher than the Montana tax. The taxes in Oklahoma and Utah are higher than the taxes on small producers in Montana. The tax paid by the Anaconda Company which would be in the top Montana bracket would be higher than the taxes in Oklahoma and Utah.

Oil Production License Tax. *Provisions of the Montana oil production tax.* The oil producers license tax was established by Chapter 266, Laws of 1921. The text of the law is contained in Chapter 22, Title 84, Revised Codes of Montana, 1947.

Every person operating a well which produces marketable petroleum is subject to the tax.

The tax on oil producers is based on the gross value of all petroleum or other mineral oil produced. Any amount which is used in connection with the operation of the well or for pumping petroleum to a tank or pipeline is exempt. The tax is determined quarterly. A rate of 2.1 percent is applied to the gross value of product up

TABLE 10.18

Nominal Bases and Rates for Metal Mines Taxes

State	Base	Percent Rate
Idaho	net proceeds	3.000
MONTANA	gross value	.15 to 1.438
Nevada	net proceeds	property tax rate
New Mexico[1]	net proceeds	.875 to 1.250
Oklahoma	gross value	.750
Utah	gross value	1.000
Wyoming	gross value	6.250

Source: All States Tax Guide (Commerce Clearing House)

[1] The tax in New Mexico is composed of two separate taxes. One is a resources excise tax and the other a severance tax. Both are based on net proceeds. The 1.25 percent rate applies to copper. The lower rate applies to other metals.

to 450 barrels times the number of wells in operation. Any amount in excess of 450 barrels times the number of wells in operation during the quarter is taxed at 2.65 percent.

Table 10.19 shows recent history of the base, collections, and revenue significance of the tax. In terms of revenue produced, this is the most significant of the severance taxes.

All proceeds are placed in the general fund.

In addition to the production tax, Montana levies an oil and gas conservation tax. Provisions for this are found in Chapter 1, Title 60, Revised Codes of Montana.

The conservation tax is assessed on the number of barrels of oil produced and on each ten thousand cubic feet of natural gas produced. On leases whose wells produce an average of 25 barrels of crude oil per day or less, the assessment may not exceed one-fourth cent per barrel. On leases which produce more than twenty-five barrels per day, the assessment may not exceed one-half cent per barrel. The levy on natural gas is limited to one mill per ten thousand cubic feet. The actual rates are determined by the Oil Conservation Commission. There are also fees for drilling permits.

Proceeds of the conservation tax are to be placed in an earmarked revenue fund account which is used to defray the expenses of the Oil and Gas Conservation Commission.

Economic aspects of the oil production tax. Montana producers of crude oil and natural gas are in active and direct competition with producers from other areas. Montana oil and gas is similar to that produced in other areas and must therefore sell for approximately the same price.

An increase in either the license tax or the conservation tax would increase the cost of producing oil. Since the price is set by the national market, operators in Montana would not be able to recoup this cost by increasing prices. Given this situation, operators would tend to reduce their output. Profits would be reduced as would royalty payments to landowners, who, by Montana law, are required to pay a tax on their royalty income. Because the value of land reflects the capitalized value of its income potential, an increase in the severance tax on petroleum would thus reduce the value of petroleum producing land. Hence, the burden of an increase in this tax would initially be shared by oil and gas operators and by landowners.

The long run or ultimate burden of the severance tax on oil and natural gas is likely to differ from that of the short-run period. In the long run, oil and gas producers have many alternatives

TABLE 10.19

History of Oil Producers License Tax Revenue and Base 1963-68

Fiscal Year	Gross Value of Production	Tax Collections	Percent Total Taxes
1963	76,060,779	$1,853,747	2.510
1964	75,064,639	1,824,693	2.404
1965	74,715,218	1,793,144	2.255
1966	87,671,195	1,985,386	2.177
1967	85,009,999	2,105,955	2.269
1968	104,432,428	2,255,918	2.149

Sources: Biennal Report, 1967-68 and prior years, Montana State Board of Equalization.

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennial Report and total tax collections shown in State Government Finance.

open to them. If profits are lower in Montana than in other states, they will choose to operate outside Montana. The result will be a decrease in the demand for oil and gas producing land in Montana, or for land with oil and gas potential. This will result in a further reduction in royalty payments to Montana landowners. Thus, the final incidence or burden of severance taxes on oil and gas will likely be almost entirely on landowners. Because oil and gas output in Montana will be restricted due to an increased tax, there will be less employment in this industry in Montana. Less employment would put a downward pressure on wages, and labor would thereby also share some part of the increased tax. Here as with the Metal Mines Tax, an increase in taxation changes the rate of resource use over time. The higher the tax, the slower the rate of exploitation.

The Oil Producers License Tax is based on the value of the product produced and is known as an ad valorem excise tax. The Conservation Tax is based on the number of barrels of crude petroleum produced. The effects of these two types of taxes will differ during various stages of the business cycle and these differences should be distinguished. An ad valorem tax takes a constant percentage of value. Revenue produced from this type of tax rises and falls with changes in prices. A tax based on physical output such as the Conservation Tax is strictly proportional to the number of barrels produced. The revenue from such a tax does not rise and fall with price changes.

Interstate comparison of oil production taxes. Table 10.20 shows the rates of taxes imposed on production of oil and natural gas by states having such taxes. Montana's oil production tax ranks slightly above the middle of those states which impose such a tax. The actual rank is twelfth out of twenty. However, this rank is somewhat misleading when the total tax burden is considered. Among states which produce oil, Montana's rank would be closer to the top since some of the other states which produce these minerals do not impose a comparable property tax.

Many states also levy a tax on the production of natural gas. The Montana laws do not impose a levy on the production of this mineral. However, there is a conservation tax on both crude oil and natural gas.

Table 10.20 also shows the rates of conservation taxes. With the exception of Alabama which imposes a rate of 2 percent of gross value, these taxes represent a negligible percentage of the value of the product. In most cases, their purpose is to provide funds for the expenses of conservation boards which enforce regulations relating to the drilling of wells and the disposition of old wells which no longer produce.

Montana'a rank among the states in oil and gas taxes does not seem to coincide with the frequent claims that Montana imposes among the highest taxes on oil production in the country. But these rankings must not be taken by themselves as indicators of the relative tax position of Montana oil. Much more information is required to firmly establish Montana's

TABLE 10.20

Interstate Comparisons of Oil Production Taxes

State	Oil Base	Oil Rate	Gas Base	Gas Rate	Conservation Oil Base	Conservation Oil Rate	Conservation Gas Base	Convervation Gas Rate	Average Value (1968)	Average Deapth of Wells (1968) (feet)	Percent of Crude Oil Produced by Stripper Wells	Dry Wells as a Percent of Wells Drilled
Alabama	Gross	4%	Gross	4%	Gross	2%	Gross	2.00%	$2.67	8,352	---	61.2
Alaska	Gross	4%	Gross	4%	Bbl ^{1}	.5¢	M^2	.01¢	2.82	10,624	---	47.8
Arkansas	Gross	5%	M^2	.3¢	Bbl ^{1}	.4¢	M^2	.05¢	2.73	4,392	38	34.6
California	-----	----	-----	----	Bbl ^{1}	V^3	M^2	V^3	2.35	3,034	17	21.6
Colorado	Gross	5%	Gross	5%	Gross	.1%	Gross	.1%	2.95	5,234	7	64.0
Florida	Gross	5%	Gross	5%	-----	----	-----	-------	2.31	9,676	---	89.7
Georgia	Bbl^1	.5¢	M^2	.05¢	-----	----	-----	-------	-----	------	---	----
Idaho	-----	----	-----	----	Bbl ^{1}	.5¢	50M^2	.5¢	-----	------	---	----
Indiana	Gross	1%	Gross	1%	-----	----	-----	-------	3.05	1,380	100	35.0
Kansas	-----	----	-----	----	Bbl ^{1}	.2¢	^{2}	.00055¢	3.02	3,075	65	35.7
Kentucky	Gross	.5%	-----	----	-----	----	-----	-------	2.93	1,335	68	33.7
Louisiana	Bbl^1	V^3	M^2	V^3	-----	----	-----	-------	3.14	8,589	1	35.8
Michigan	Gross	2%	Gross	2%	-----	----	-----	-------	2.95	3,215	36	50.0
Mississippi	Gross	6%	Gross	6%	Bbl^1	.2¢	M^2	.01¢	2.80	7,905	1	58.1
MONTANA	Gross	2.65%	-----	----	Bbl^1	.25¢	M^2	.01¢	2.57	4,753	14	41.2
Nebraska	Gross	2%	Gross	2%	Gross	.2¢	Gross	.2 ¢	2.79	5,222	6	67.4
Nevada	-----	----	-----	----	Bbl^1	.5¢	M^2	.05¢	2.16	------	---	89.1
New Mexico	Gross	5.05%	Gross	5.05%	Gross	.14%	Gross	.14%	2.95	6,288	8	21.7
North Carolina	-----	----	-----	----	Bbl^1	.5¢	M^2	.05%	-----	------	---	----
North Dakota	Gross	5%	Gross	5%	-----	----	-----	-------	2.64	6,087	3	46.7
Oklahoma	Gross	5%	Gross	5%	Bbl^1	.22¢	M^2	.04¢	2.99	4,681	39	28.2
South Dakota	-----	----	-----	----	-----	----	-----	-------	2.15	3,766	---	87.9
Tennessee	Bbl^1	.1¢	Gross	5.00%	-----	----	-----	-------	2.50	1,638	96	71.2
Texas	Gross	4.6%	Gross	7.50%	-----	----	-----	-------	3.04	4,608	13	32.8
Utah	Gross	2.00%	Gross	2.00%	Gross	.2%	Gross	.2 %	2.67	5,083	0	52.5
Wyoming	Gross	6.25%	Gross	6.25%	Gross	.04%	Gross	.04%	2.64	6,068	3	38.1
Montana Rank	-----	12/20	-----	----	-----	----	-----	-------	-----	12/22	9/22	14/22

Source: "The Oil Industry in Your State," (Independent Petroleum Association of America).

1. Barrel.

2. One-thousand cubic feet.

3. Variable

relative position. Unfortunately we do not have the resources to gather such information without the assistance of many people. Consequently, we can only point out the factors which have a bearing on the question without arriving at a conclusion.

It must be noted that those claims are based on total taxes and not merely the severance tax considered here. In addition to this tax, Montana also imposes the corporate license tax and property tax. The net proceeds portion of the property tax represents a heavy tax on the value of the products. There is one other aspect to the question of how high Montana oil production taxes really are. Price per barrel represents the gross price of the crude oil. If production costs vary widely, taxes as a percent of net price may be a more appropriate measure. Although it is not possible to construct net price estimates for each state, it is possible to make crude comparisons of production costs. Table 10.20 also contains three items which reflect relative costs of producing oil. The average depth of wells drilled in 1968, the percent of crude oil produced by stripper wells, and the percent of total wells drilled that turn out to be dry wells all bear on the cost of oil production. Montana's rank in terms of these three measures of production costs indicates that costs are neither unduly high nor unduly low among the oil producing states. Additionally, Montana's average depth and percent of stripper wells closely approximate the national average of these cost indicators. However, the percent of dry wells in Montana is about 11.5 percentage points above the national average. Without knowing the role each of these factors have in the cost structure of oil production, it is difficult to evaluate their effect on the relative cost per barrel of oil production in Montana. Transportation costs probably also add significantly to the relative cost of Montana production. Also, weather in Montana is a significant cost factor in exploration for and production of oil.

Coal Producers and Retailers Tax. *Provisions of the Montana coal producers and retailers tax.* Chapter 155, Laws of 1921 enacted a tax on coal mine operators. Chapter 3, Extra Session Laws of 1921 imposed a license tax on retailers as well to prevent coal from other states from having an advantage over domestically produced coal in the Montana market.

Every person engaged in the business of operating a strip coal mine is subject to the tax. Every person engaged in retailing coal of any kind is also subject to the provisions of the law.

A tax of $.05 cents is levied on every ton of coal in excess of 50,000 tons, which is extracted in Montana by means of strip mining. Retailers pay an annual fee of $1.00 in addition to a tax of $.05 on every ton of coal sold on which the producer has neither paid the tax nor assumed liability for it.

Table 10.21 shows the history of the base and revenue from this tax. The contribution to total tax collections is small. The recent limitation of the tax to strip-mined coal, however, may indicate that the tax is currently viewed largely as a regulatory device. A credit against the tax is allowed for the value of reclamation work performed on land which has been strip mined.

TABLE 10.21

History of Coal Tax Base and Revenue, 1963-1968

Fiscal Year	Taxable Tons	Tax Collections	Percent Total Taxes
1963	257,780	$12,889	.02
1964	230,380	11,519	.02
1965	271,520	14,576	.02
1966	261,740	13,087	.01
1967	282,520	14,126	.02
1968	261,800	13,095	.01

Sources: Biennal Report, 1967-68 and prior years, Montana State Board of Equalization.

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennial Report and total tax collections shown in State Government Finances.

Economic aspects of the coal production tax. The coal industry in Montana may be divided into two segments on the basis of the markets served by the constituent firms. First, substantial quantities of low-sulphur bituminous coal are produced to be used in power generation. The major producers of this coal are Western Energy Company, a subsidiary of Montana Power Company, and Peabody Coal Company which has contracted all or a large portion of its output to Minnesota Power and Light. The remainder of Montana coal output is produced by a few firms and sold to coal retailers.

The incidence of the severance tax on coal is likely to differ between these two market segments.

When a power company installs coal-fired electric generators, its demand for coal necessarily becomes quite fixed. If the price of Montana coal, including the severance tax, is less than the price of coal from alternate sources including any freight differentials, it is unlikely that a moderate increase in the tax will cause a reduction in the quantity of coal demanded from Montana reserves. This becomes more probable because of the legal precedent in determining electrical energy rates. Power companies are allowed by law to charge rates which are high enough to cover all costs. Any moderate increase in the severance tax on coal supplied to power companies tends to be translated into higher prices for electrical energy and thus, to be borne ultimately by consumers of electricity. The tax in this case does not burden the coal producer and is, in effect, a selective excise tax on electricity. Private individuals are burdened in relation to their consumption of electricity. Further, industries which consume a large amount of electric energy may reduce the quantity of their output because of the pressures from increased costs. This will tend to increase prices of these goods and also reduce employment and wage payments. See the analysis of the public utility taxes below. It should be noted that although moderate tax increases on coal may eventually become part of the electrical rate base for public utilities, the position of Montana coal in relation to other means of producing electrical energy in Montana changes. Also, if readily available supplies exist close by so the transportation costs are not large, the tax in Montana must be carefully gauged in relation to taxation elsewhere.

The remaining coal producers in Montana do not have outlets for their product as those firms which supply coal, mainly the electric power industry. It is quite likely that these producers will not be so readily able to increase prices to compensate for the increased tax. In this case, the burden would fall on payments to the factors of production--principally wages and profits. Over a greater period of time, these producers would likely eliminate marginal operations. This would reduce the amount of coal used from Montana reserves. However, this market is so small it probably would not have a noticeable effect. In the long run, the tax on these producers also would be expected to rest on consumers.

Interstate comparison of taxes on coal. Only five states besides Montana tax the production of coal. Table 10.22 shows the taxes imposed by other states.

Since the tax structures shown in Table 10.22 are not all comparable, a definite rank cannot be assigned to Montana. Among the four comparable states, however, Montana ranks second. The taxes imposed by Wyoming and New Mexico apply to any commercially valuable mineral.

It should be noted again that because Montana taxes the tonnage rather than value, the effective tax rate is inversely related to the price of coal.

Cement Producers and Dealers Tax. *Provisions of the Montana cement tax.* Chapters 15 and 16, Laws of 1921, provided that all cement producers and dealers must pay a license tax for the privilege of engaging in that business in the state of Montana. These laws are contained in Chapters 11 and 12, Title 84, Revised Codes of Montana, 1947.

The tax is determined by the number of barrels of cement produced or used in the production of other products containing at least 50 percent cement. A barrel of cement contains 376 pounds. The tax on gypsum is determined by the number of tons produced or used.

The tax is $.04 per barrel of cement and $.05 per ton of gypsum. Retailers must also pay a $1.00 fee.

Table 10.23 shows the revenue history of the tax.

Proceeds are placed in the general fund.

Economic aspects of taxation of cement. To the extent that revenue from tax is derived from cement sold for use in Montana, and to the extent that there are not good substitutes for cement in its many uses, the tax is probably passed to consumers of cement in Montana.

Cement which is produced for export faces a considerable amount of untaxed competition because many states do not tax its production. The tax on exported cement is probably borne by Montana producers in the short run. Reductions in their profitability would likely cause a reduction in output. This in turn would reduce wages or employment and the price of land from which the raw material is extracted.

Interstate comparison of taxes on cement and gypsum. Only four states besides Montana impose taxes on the production of cement. Of these, only Texas imposes a tax on sales of cement for use in the

TABLE 10.22

Taxes in the United States Applicable to Coal Production

State	Tax
Arkansas	2 cents per ton
Colorado	50 cents plus .7 cents per ton
Louisiana	10 cents per ton
MONTANA	5 cents per ton
Wyoming	6.25 percent of gross value
New Mexico	.875 percent of net proceeds

Source: All States Tax Guide (Commerce Clearing House).

TABLE 10.23

History of Cement Tax Revenue for 1963 to 1968

Fiscal Year	Collections	Percent Total Taxes
1963	$ 66,451	.090
1964	98,624	.130
1965	102,995	.130
1966	94,634	.104
1967	123,745	.133
1968	89,556	.085

Sources: Biennal Report, 1967-68 and prior years, Montana State Board of Equalization.

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennal Report and total tax collections shown in State Government Finance.

state. Two of the states are New Mexico and Wyoming. In these states the taxes are the same ones imposed on the extraction of any commercially valuable mineral. Table 10.24 shows the taxes which are imposed on cement.

Montana's tax is more comprehensive than those of any other state. The Texas tax is definitely higher than the Montana tax. The effective rate in Texas would be nearly 11 cents per barrel.

Another significant factor is the fact that Texas does not tax cement exported from the state. It would appear likely that Montana's tax places Montana producers at a competitive disadvantage with producers in other states.

Micaceous Minerals Tax. *Provisions of the micaceous minerals tax in Montana.* Every person operating a mine from which vermiculite, perlite, kerrite, maconite, or any other micaceous mineral or hydrous silicates are extracted must pay a license tax.

The license tax on micaceous mineral mines was enacted by Chapter 50, Laws of 1951 and is currently found in Chapter 59, Title 84, Revised Codes of Montana, 1947.

The tax is 5 cents for each ton produced. Since vermiculite is a very light, porous material, which is fairly inexpensive, the collections from this tax are not very great. Table 10.25 shows the revenue and base for this tax in recent years. The revenue seems insignificant.

All proceeds are placed in the general fund.

Economic aspects of the micaceous minerals tax. As with other taxes on extractive industries, the primary consideration here is that of the effect that the tax has on the competitive position of the industry in the nation. Montana makes up such a small share of the market, it is likely that very little if any of the tax can be passed on to consumers of the product. Montana firms must take the price given by the market. Consequently, taxation is likely to cause adverse effects on labor employment and resource use in Montana.

Interstate comparison of the taxation of micaceous minerals. There are only three states which have taxes applicable to micaceous minerals. These are shown in Table 10.26.

The taxes imposed by Wyoming and New Mexico are general severance taxes applicable to the extraction of any mineral of commercial value. They are not comparable with the Montana tax.

Net Proceeds of Mines Tax. *Provisions of the Montana tax on net proceeds.* The tax imposed on the net proceeds of mining operations and on the production of crude oil and natural gas is frequently

TABLE 10.24

Interstate Comparison of Taxes Imposed on Cement

Arkansas	1.5 cents per ton of gypsum
MONTANA	4.0 cents per barrel of cement
	5.0 cents per ton of gypsum
New Mexico	.875 percent of net proceeds
Texas	2.75 cents per 100 pounds of cement
Wyoming	6.25 percent of gross value of product

Source: All States Tax Guide (Commerce Clearing House).

TABLE 10.25

History of Micaceous Minerals License Tax Base and Revenue, 1963-68

Fiscal Year	Tons Produced	Collections	Percent Total Taxes
1963	137,029	$6,851	.009
1964	156,240	7,812	.010
1965	136,473	6,824	.009
1966	163,300	8,163	.009
1967	169,630	8,481	.009
1968	159,298	7,965	.008

Sources: Biennal Report, 1967-69 and prior years, Montana State Board of Equalization.

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennal Report and total tax collections shown in State Government Finance.

TABLE 10.26

Interstate Comparison of Taxes on Micaceous Minerals

State	Tax
MONTANA	.05 cents per ton
New Mexico	.875 percent of net proceeds
Wyoming	6.25 percent of gross value

Source: *All States Tax Guide* (Commerce Clearing House).

thought of as a separate tax. In reality, the net proceeds tax is a portion of the property tax.

Net proceeds are defined as the remainder after subtracting from the gross value of the product: 1) all royalties paid either in cash or in kind; 2) all expenditures for necessary labor, machinery, and supplies used in the operations; 3) the cost of improvement, repairs, and betterments of the property. Item (3) is actually deducted over a period of ten years. This amortized deduction is similar to ordinary treatment of depreciation.

Royalties are deducted because they are assessed to the recipient. In the case of oil and gas royalties, the producer pays the net proceeds tax on behalf of the royalty owner.

The amount determined as being the net proceeds are placed in Class 1 of the property tax classification scheme. In this class, taxable value is 100 percent of assessed value. The property tax levies in the school district where the mineral is mined apply to net proceeds.

Economic aspects of the net proceeds tax. It has been widely argued that taxation of mineral property is adverse to the conservation of mineral resources and retards exploration and development of reserves. When the value of a resource in the ground is made the subject of taxation, the time pattern of resource exploitation is shifted toward the present, and exploration is limited since taxation becomes effective immediately after a mineral deposit is discovered and before production and a flow of income commence. This is the case when the full value of the mine is taxed annually at current property tax rates.

Montana's net proceeds tax avoids some of these undesirable effects. Rather than levy a property tax on minerals in place, Montana imposes a tax on net proceeds of mines, oil wells, and gas wells. Montana's net proceeds tax comes closer to being a tax on net income under the existing definition of net proceeds than a strict ad valorem property tax. Because it is a tax based on income, operators cannot minimize their tax burden by rapid depletion of mineral resources. Montana's net proceeds tax has a degree of temporal economic neutrality not attributable to a strict ad valorem "property" tax on mines.

To the extent that taxable net income (net proceeds) represents "pure profits or economic rent," the net proceeds tax will not distort resource allocation. Economic rent is a surplus above and beyond the full cost of producing minerals. It arises in extractive industries from the value with which nature endows a mineral and the full value of the mineral is not incorporated into the cost of gaining possession of it. This value is given without a corresponding production cost. Thus, economic rent is not required as an incentive for investment to remain in a given field of endeavor. Thus, a tax on economic rent, by its very definition, would not fall on any factors of production (labor and capital), that possess interjurisdictional mobility. The tax on economic rent will fall only on immobile real estate within the state's sovereignty and tax jurisdiction. The main question is whether the current level of net proceeds taxation (and other mine taxation) is encroaching on the income of mobile factors of production such as labor and capital.

The markets for most metal and mineral fuels tend to be competitive. For Montana, this means that domestic producers of oil, natural gas, coal, and metals have little influence on the price of these commodities. They must accept the price which is determined in the market.

When a net proceeds tax is levied on Montana mineral producers, neither the demand for their commodity nor the cost of producing the last unit of output is changed. Therefore, if mineral operators are responding according to the maxims of efficiency, the level of production in the Montana minerals industry would initially be unchanged. Since production is not affected, wages and employment will be unchanged. The full burden of the tax, in the case where the mineral operator owns all the land he utilizes, will thus rest on his income. In cases where operators lease their land, the initial burden of the tax will not be entirely on operators. Land owners will also share the burden of the tax because, by law, they are required to pay the net proceeds tax on their royalty income. The tax will immediately reduce their income and the value of their land.

If a landowner paid a price for oil land which reflected the income potential of the minerals, he will suffer an economic loss as a result of the imposition or increase in the tax. If, however, his purchase price did not fully reflect the income producing potential of the land because his knowledge was imperfect as to mineral values at the time of acquisition, the tax will simply confiscate some of his windfall gain.

Over a longer period of time, additional adjustments will occur. The reduction of profits accruing to mineral resource operators will reduce their demand for new land for mineral exploitation. Because mineral bearing land is fixed in supply, the fall in demand for it will result in lower royalty payments going to landowners. If their royalty incomes fall by the full amount of the tax, the level of mineral production on leased land would not be reduced in the long run because of an increase in the tax. The net proceeds tax in this case would be fully shifted from operators on to landowners.

If the mineral operator owns all the land he uses, the tax will remain on the operator as long as he continues production. It seems likely that an owner-operator will choose to continue production even though his income is reduced by the tax. If he decided to sell his land and move his operations elsewhere, he would then suffer a capital loss in the land sale because the tax reduces the capitalized value of his land. He may decide to earn adequate profits as an operator and accept a lower level of return on his land.

In summary, it appears that an increase in the net proceeds tax initially burdens profits of operators and, to the extent that royalties are paid, it will burden land rental income of land owners. But in the long run, there will be a tendency where land is not owned by operators for the tax to be fully shifted to landowners. When operators are also landowners, the tax cannot be shifted and it will remain on operators in their capacity as landowners.

Interstate comparison of property taxation of mineral resources. Good interstate comparisons of taxes of this sort are not feasible because of the basic differences in the nature of the taxes. Such a study would require intensive study of the property tax laws and administrative procedures of all fifty states. Table 10.27 presents information which has been compiled for the Rocky Mountain and Midwest Regions. This table shows the basis of assessment used for each state.

It is not possible with this data, however, to draw conclusions about Montana's rank among the states in property taxation of mineral resources. In those states which use some concept of market value, the value of the minerals in place must be estimated. The "best" method of valuation known as the "Hoskold" method, requires a mining engineer to project the future life of the mine as economical producer. The method uses a formula to compute the present value of anticipated annual profits over the estimated life of the mine. Because the method requires so much judgment and there are possibilities of many significant errors, states are tending toward the net proceeds concept.

The following information is available from a complete survey of corporation tax returns of corporations operating in Montana. In the crude oil and natural gas industry, domestic corporations which pay more than the minimum corporate license tax pay property taxes which average 1.8 percent of net income before any taxes are paid. Multistate corporations which pay more than the minimum license tax reported property taxes which averaged 8.3 percent of net income before any taxes. Although much uncertainty exists surrounding the difference between multistate and domestic firms, some of the difference can be explained by the fact that the larger multistate firms own much more property and thus pay more property taxes. The difference in metal mining is not so great with domestic firms averaging 4.1 percent and apportioning firms averaging 5.6 percent.

We may also look at these taxes as a percent of gross income. In the metal mines industry domestic corporations have a rate of 1.56 percent while multistate corporations have a rate of 1.57 percent.

TABLE 10.27

Property Taxation of Mineral Resources in Selected States

State	Basis of Assessment
Colorado	87.5 percent of market value
Kansas	30.0 percent of justifiable value of mineral rights
MONTANA	100 percent of net proceeds
Nebraska	35 percent of market value
New Mexico	50 percent of market value
Utah	80 percent of actual value
Wyoming	100 percent of market value

Source: Wyoming's Mineral Producing Industries (Rocky Mountain Oil and Gas Association and Wyoming Oil Industry Committee, 1968).

The crude oil and natural gas industry shows greater diversity with domestic firms averaging .23 percent and apportioning firms averaging .89 percent. These comparisons are not completely satisfactory. First of all, they are for firms reported as being engaged in the crude oil and natural gas industry. They, therefore, do not allow for the actual composition of their business and the types of operations in Montana and elsewhere. Secondly, these figures must not be considered as being the total taxes on mineral production since in Montana, royalties are also taxable. Thus, these figures do not represent the total picture but only the taxes paid by the producing corporations showing a net income.

The economic aspects of taxation of mineral resources in Montana may be summarized as follows. Because Montana metal and fuel resources are in competition with similar resources in other states and countries their quality and cost of extraction affect the rate at which they are extracted. Taxes on the value of production of these mineral resources are part of the costs of extraction. During times of prosperity, i.e., high prices for copper, oil, and others, taxes are probably not onerous. During periods when such markets are depressed, however, taxes are a significant cost factor, especially on marginal resources.

It seems reasonable to conclude that taxes on mineral resources are really not taxes on the mineral producing companies per se, because they have the capability to alter the amount of capital expenditure and rate of capital expenditure growth in each state. A company with mineral properties in several states will simply emphasize output in low-tax states and downgrade output in high-tax states which effectively partially avoids mineral taxation in the high-tax states. This serves to retard the rate of exploitation of mineral resources in the high-tax states. There will be an attendant reduction in employment in these industries also.

Without considerably more information on the taxation of mineral resources in the states it is difficult to determine exactly where Montana stands. To get an accurate picture of the situation it would be necessary to determine the total tax bill imposed in each state through corporation income taxes, production taxes, property taxes, and conservation taxes. Comparisons among the states of any one of these taxes will not be an adequate indicator of Montana's relative position. Our conclusions, which are highly tentative in nature, are as follows.

Production taxes on metals and oil are not unduly high in Montana. However, property taxes (net proceeds of mines tax) are a significant factor. Together, production and property taxes are likely to push Montana's rank high among the states in severance-type taxes on mineral resources. Recall that Montana's Corporation License tax ranked 9 out of 41 in fiscal 1969.

Public Utility Taxes

Government control of public utilities arose at an early date in the business history of the United States. Demand for regulation followed from the recognition that some businesses are natural monopolies and would, in the absence of intervention, restrict output below the socially desirable level and charge correspondingly higher prices.

State control of utilities has taken two different and somewhat contradictory forms. First, state legislatures have established public service commissions to determine the rates which may be charged by utilities. While the Supreme Court and state courts have allowed this practice, they have required that the rates must be "reasonable." The test of reasonableness, the courts have asserted, is that rates not be so low as to constitute deprivation of property. Rates, therefore, must be high enough to cover operating costs, depreciation, taxes, and a fair rate of return for the investor.

The second method by which states control utilities has been special taxation. It seems that there is some feeling that monopoly power gives these firms extraordinary ability to pay taxes. They probably do possess extraordinary tax paying ability in absence of rate regulation. But clearly, this policy of taxation is in conflict with the policy of regulated utility rates. Taxes to a public service commission are a cost item, and utility rates by law must cover all costs. Thus, an increase in taxes on public utilities will be followed by an increase in rates so the utility can maintain a competitive return on invested capital.

Like most other states, Montana uses both of the techniques described above. In addition to regulation of rates, special taxes are imposed on telephone companies, telegraph companies, producers of electric energy, and distributors of natural gas. Special taxes are also imposed on express companies, freight line companies, sleeping car companies, and motor carriers which will be considered under public utility taxes.

Economic Aspects of Public Utility Taxes. An excise tax on a utility increases the variable cost of production of the utility. Nevertheless, the tax will not likely place a real burden on profits or productive inputs used by the utility firm. As Jesse V. Burkhead has written:

> Problems in the incidence of public utility taxes have been generally considered as capable of far easier solution than problems in the incidence of other business taxes. The rates charged by a public utility are determined by state regulatory commissions; these rates are calculated to yield revenues sufficient to meet all operating expenses including taxes, and provide a fair return. Therefore it is generally true that a

> tax imposed on a utility is a tax imposed on a utility's customers. Under effective regulation, the owners of a utility may earn no more than a fair return on their investment. Taxes constitute no burden on ownership because the utility can always legally demand a rate schedule which will yield a return over and above that which is necessary to compensate all tax payments.
>
> Utilities are legally assured that under ordinary conditions their taxes will be completely shifted forward to the ratepayers. Other businesses meet with varying degrees of success in their attempts to shift taxes forward in the form of higher prices, and never have legal assurance that they will be completely successful in their attempts.[9]

There are exceptions to this general rule, however. First, there is inevitably a lag between an increase in taxes and the granting of permission for increased rates. During this time, the burden of the tax will be on profits. The more frequently taxes are changed, the more important this lag becomes.

A second exception arises when existing rates provide a return to the owners which the public service commission considers more than adequate. Such a situation might occur as a result of changes in the equipment or production methods used by the utility which result in a reduction of unit costs. In this case, the public service commission may refuse to grant the requested increase in prices.

It is interesting to note further that the increase in rates, necessitated by the imposition of a new tax or by an increase in an existing tax, will probably not be equal to the rise in the tax. It is likely that the rate increase will be larger. This follows from the fact that most utilities operate under conditions of decreasing costs. This means that the more units produced, the cheaper each unit will be to produce. When a tax is imposed on a utility, however, and rates are subsequently increased, the quantity which consumers wish to purchase will decline. This means that the company will produce fewer units of service and each unit will be more costly to produce. Since by law, utility rates must cover all costs, the rate increase must be greater than the tax. It must be equal to the tax plus the increased production costs.

It appears likely that any increase in taxes on public utilities in Montana will result in a burden on consumers. Since the rate increase is likely to be more than the amount of the tax, this burden will be greater than if the same amount of revenue were obtained by a direct tax on the same people.

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[9] Jesse V. Burkhead, "The Changing Incidence of Public Utility Taxation," Journal of Land and Public Utility Economics, Vol. 25 (1939), p. 383.

In this part of the business tax chapter, interstate comparisons for taxes on electrical energy, natural gas, and telephone companies are presented. In cases of telegraph, freight line express companies, and motor carriers, interstate comparisons are not provided because of the diverse practices among the states.

Electric Energy Tax. *Provisions of the Montana Electric Energy Tax.* The tax on electrical companies was enacted by Chapter 51, Laws of 1933. The current text is found in Chapter 16, Title 84, Revised Codes of Montana, 1947.

Every person or organization in the state of Montana engaged in the production of electricity for sale must pay a license tax.

Electricity used for pumping water to be used for irrigation is exempt from the tax. Public utilities owned by counties, cities, or towns are also exempt.

The tax is levied at the rate of 1.438 percent of gross sales. Prior to April 1, 1969, the rate was 1.25 percent. This tax does not apply to cooperatives. Those organizations are assessed $10 for each one hundred persons to whom electricity is supplied. This special provision is in lieu of all other excise and income taxes.

Table 10.28 shows the history of collections in recent years

The information shown in Table 10.28 does not include cooperative organizations. No data is available for those firms.

All receipts from the electric energy tax are placed in the general fund.

Interstate comparison of electric energy taxation. Montana imposes a tax of 1.438 percent of gross receipts from the production and sale of electrical energy. Table 10.29 presents a list of all states which impose a utility tax on sales of electric energy which is based on the gross receipts.

In addition to the special utility taxes imposed by the twenty-nine states shown in Table 10.29, thirty-five states impose additional sales or gross receipts taxes on retail sales of electrical energy. These are shown separately from the special utility tax. A total is also shown which presents the total rate of taxation on the gross receipts from the sales of electricity.

In comparing the specific public utility tax imposed by the different states, Montana imposes a tax which is well below the

TABLE 10.28

History of Electric Energy Tax Base and Revenue, 1963-68

Fiscal Year	Gross Receipts	Tax Collections	Percent Total Taxes
1963	$37,691,000	$471,141	.638
1964	38,788,000	484,856	.639
1965	40,781,000	509,760	.641
1966	37,604,000	470,050	.515
1967	36,144,000	451,800	.487
1968	34,138,000	426,729	.407

Sources: Biennial Reports, 1967-68 and prior issues, Montana State Board of Equalization.

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennial Reports and total tax collections shown in State Government Finances.

TABLE 10.29

Electrical Energy Taxes
Levied by States on Gross Income
1969

State	Latest Year Ended	Total Utilities Taxes Collected (000)	Percent of Total Revenues	Rate of Utility Tax	Additional Taxes		Total Taxes on Gross Receipts
					General Gross Receipts Tax	Retail Sales Tax	
Alabama	9-30-68	$ 6,462	1.219	.40	1.00	----	1.400
Alaska	-------	--------	-----	-----	.25	----	.250
Arizona	6-30-69	562	.139	.20	3.00	----	3.200
Arkansas	6-30-68	506	.175	.40	3.00	----	3.400
California	-------	--------	-----	2.00	----	----	2.000
Colorado	6-30-68	367	.101	.20	----	3.00	3.200
Connecticut	6-30-68	28,436	5.690	4.00	----	----	4.000
Delaware	6-30-68	527	.364	.10	.80	----	.900
District of Columbia	6-30-68	14,010	4.600	4.00	----	4.00	8.000
Florida	6-30-68	15,048	1.564	.08	----	4.00	4.080
Georgia	-------	--------	-----	-----	----	3.00	3.000
Hawaii	6-30-68	10,545	3.154	5.885	----	----	5.885
Idaho	6-30-68	559	.413	-----[1]	----	----	-----
Illinois	6-30-68	112,849	6.529	5.08	----	----	5.080
Indiana	-------	--------	-----	-----	2.00	----	2.000
Iowa	-------	--------	-----	-----	----	3.00	3.000
Kansas	-------	--------	-----	-----	----	3.00	3.000
Kentucky	-------	--------	-----	-----	----	5.00	5.000
Louisiana	6-30-68	13,294	1.796	2.00	----	----	2.000
Maine	-------	--------	-----	-----	----	5.00	5.000
Maryland	6-30-68	16,228	2.104	2.000	----	4.00	6.000
Massachusetts	-------	--------	-----	-----[2]	----	----	-----
Michigan	-------	--------	-----	-----	----	4.00	4.000
Minnesota	-------	--------	-----	-----	----	3.00	3.000
Mississippi	-------	--------	-----	-----	5.00[3]	----	5.000
Missouri	-------	--------	-----	-----	----	3.00	3.000
MONTANA	6-30-68	1,445	1.385	1.438	----	----	1.438
Nebraska	-------	--------	-----	-----	----	2.00	2.000
Nevada	-------	--------	-----	.200[4]	----	----	.200
New Hampshire	6-30-68	1,034	1.379	-----[5]	----	----	-----
New Jersey	6-30-68	16,463	1.727	13.130	----	----	13.130
New Mexico	6-30-68	569	.262	.500	----	4.00	4.500
New York	3-31-68	108,848	2.461	3.250[6]	----	3.00	6.250
North Carolina	6-30-68	48,004	5.379	6.000	----	----	6.000
North Dakota	-------	--------	------	-----[7]	----	4.00	4.000
Ohio	6-30-68	62,744	4.583	4.000	----	----	4.000
Oklahoma	-------	--------	-----	-----[8]	----	2.00	2.000
Oregon	6-30-68	804	.249	.250[9]	----	----	.250
Pennsylvania	6-30-68	53,091	2.654	2.000	----	6.00	8.000
Rhode Island	6-30-68	7,503	4.503	4.000	----	5.00	9.000
South Carolina	6-30-68	9,380	2.295	.300	----	4.00	4.300
South Dakota	-------	--------	-----	-----	----	4.00	4.000
Tennessee	6-30-68	3,124	.560	3.000	----	3.00[10]	6.000
Texas	8-31-68	31,271	2.179	1.997[11]	----	3.25	5.247
Utah	6-30-68	145	.079	.250	----	4.00	4.250
Vermont	6-30-68	1,921	2.180	-----[12]	----	3.00	3.000
Virginia	6-30-68	31,079	4.260	3.500	----	----	3.500
Washington	6-30-68	28,891	3.300	3.600	----	----	3.600
West Virginia	-------	--------	-----	-----	5.20	----	5.200
Wisconsin	6-30-68	18,188	1.837	-----[13]	----	4.00	4.000
Wyoming	-------	--------	-----	-----	----	3.00	3.000
Total States Taxing	-------	--------	-----	29	8	27	48
National Averages-- States Imposing	-------	--------	-----	2.608	2.531	3.639	4.044
Montana Ranks Nationally	-------	--------	-----	18/29	----	-----	43/48
Eight Mountain States Taxing	-------	--------	-----	6	1	4	7
Eight Mountain States Average for Those Taxing	-------	--------	-----	.465	3.000	3.500	2.827
Eight Mountain States Montana Ranks	-------	--------	-----	1/8	----	----	6/8

Source: *All States Tax Guide* (Commerce Clearing House).

Note: City and county taxes are not included in the table.

[1] Idaho tax is based on .50 mill per kilowatt-hour rather than gross receipts.

[2] Massachusetts taxes utilities based on five percent of net income rather than gross receipts.

[3] Mississippi levies a general occupational privilege tax based on gross receipts. Rate is 1 percent for industrial and commercial sales and 5 percent for other retail sales.

[4] Nevada also imposes a 2 percent tax on net profits for county franchise.

[5] New Hampshire tax is based on 9 percent of net income.

[6] In addition to the state tax, New York City imposes a tax of 2.35 percent on gross income of all utilities.

[7] North Dakota imposes a 2 percent gross receipts tax on rural electric cooperatives only.

[8] Oklahoma imposes a two percent gross receipts tax on rural electric cooperatives only.

[9] In addition ot the regular utility tax, a separate 2 percent tax is imposed on electrical cooperatives in Oregon.

[10] In Tennessee a separate one percent tax is imposed on electricity sold to or used by manufacturers, while the three percent gross receipts tax applies to all other sales.

[11] The tax rate in Texas varies according to population of the towns or cities from .581 percent to 1.997 percent.

[12] Vermont imposes a tax based on .50 mill per kilowatt-hour rather than gross receipts.

[13] Wisconsin imposes a three percent tax on gross revenue of electric cooperatives only in lieu of property and income taxes.

average rate of 2.608 percent. Montana's electric energy tax ranks eighteenth out of the twenty-nine states shown. In comparing Montana with the other mountain states only, Montana appears to be considerably higher than the .465 percent average. Montana ranks first among this group of states.

In comparing the total tax (including retail sales taxes) levied for all forty-eight states which impose any sort of tax based on gross receipts from sales of electricity, Montana's relative position changes markedly. Montana imposes a total tax of only 1.438 percent while the national average is 4.044 percent. Montana's rank here is forty-third out of forty-eight. Similar results are found when comparing Montana's total tax with those of the other mountain states. The average for the mountain states is 2.827 percent. Here Montana ranks sixth out of the eight states.

It is interesting to note that three states (North Dakota, Oklahoma, and Wisconsin) impose a special tax on the gross receipts of electrical cooperatives but do not impose any special tax on other electric utility companies. Oregon imposes a 2 percent tax on the gross receipts of electrical cooperatives while the tax rate on other electric companies is only .25 percent. Montana's tax does not apply to electric cooperatives. Instead, a tax of $10 for each one hundred persons served is imposed in lieu of all other taxes except the property tax.

Natural Gas Distribution Tax. *Provisions of Montana natural gas distribution tax.* A license tax on distributors of natural gas was enacted by Chapter 180, Laws of 1933. The current text is found in Chapter 21, Title 84, Revised Codes of Montana, 1947.

Every person who owns, controls, or leases any plant for the distribution of natural gas to consumers within the state or to persons within the state for use outside of the state is subject to the license tax.

The tax is imposed at the rate of .575 cents per one thousand cubic feet of gas distributed. Prior to 1969, the rate was .5 cents per one thousand cubic feet.

Table 10.30 shows the recent history of collections, tax base, and revenue significance of this tax.

All proceeds from this tax are placed in the general fund.

Interstate comparison of natural gas distribution taxation. Montana imposes a tax of .575 cents per one thousand cubic feet of gas distributed. Montana is the only state which imposes a tax based on the volume of gas distributed. Most other states which

TABLE 10.30

History of Natural Gas Distributor's Tax Base and Revenue, 1963-68

Fiscal Year	Thousands of Cubic Feet	Tax Collections	Percent Total Taxes
1963	48,717,000	$243,588	.330
1964	52,276,000	261,381	.334
1965	57,637,000	288,186	.362
1966	59,756,000	298,780	.328
1967	59,371,000	296,855	.320
1968	56,125,000	280,625	.267

Sources: Biennial Reports, 1967-68 and prior issuses, Montana State Board of Equalization

State Government Finances in 1968 and prior issues (U.S. Dept of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennial Reports and total tax collections shown in State Government Finances.

impose a similar tax base theirs on the gross revenue from the distribution of natural gas. This creates some difficulty in comparing Montana's tax with those of other states. Using the average value per one thousand cubic feet of gas consumed in Montana, however, a gross receipts type rate can be determined. The rate would be 1.30 percent. It is important to note that this rate is valid only for the time period for which the average value was determined which was calendar year 1968.[10] The effective tax rate would change in the opposite direction from any change in average value. Hence, if the average value of gas is decreasing, the effective rate of tax on gross receipts is automatically increasing. Conversely, if the average value of gas is increasing the effective tax rate on gross receipts is automatically decreasing.

In addition to the special utility taxes imposed by thirty-three states including Montana, thirty-five states impose general sales or gross receipts taxes on sales of natural gas. These taxes are shown together with the basic utility taxes in Table 10.31.

In comparing the special utility tax alone, Montana's tax rate of 1.30 percent falls well below the average of 2.189 percent for the thirty-three states. Montana ranks near the middle of this group with a rank of eighteenth out of thirty-three. Looking only at the eight mountain states, however, Montana ranks first.

If total taxes on sales of natural gas are considered, the picture is considerably different. In this comparison, Montana ranks forty-third out of forty-nine states. The total tax in Montana of 1.30 percent is well below the national average of 3.828 percent.

The average rate of taxation among the eight western mountain states is below the national average. The average for the mountain states is 2.488 percent. Montana's tax is considerably below this average also. As in electricity taxes, Montana ranks sixth out of the eight states in this group.

Telephone Gross Receipts Tax. *Provisions of Montana tax on telephone companies.* Chapter 94, Laws of 1937 imposed a tax on telephone companies. The current text of the law is contained in Chapter 26, Title 84, Revised Codes of Montana, 1947.

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[10] Minerals Yearbook, Bureau of Mines, U.S. Department of Interior provides figures which yield an average value at the point of consumption of 44.2 cents per one thousand cubic feet during calendar year 1968. There may be some margin of error here since that source did not state the temperature and pressure at which the volume of gas distributed was measured.

TABLE 10.31

Natural Gas Distribution Taxes
on Gross Revenues
1969

	Rates of Tax Imposed			
State	Public Utility Tax	Gross Receipts Tax	Retail Sales Tax	Total Taxes
Alabama	.200	1.000	-----	1.200
Alaska	-----	.250	-----	.250
Arizona	.200	3.000	-----	3.200
Arkansas	.400	3.000	-----	3.400
California	2.000	-----	-----	2.000
Colorado	.200	-----	3.000	3.200
Connecticut	4.000	-----	-----	4.000
Delaware	.100	.800	-----	.900
District of Columbia	4.000	-----	4.000	8.000
Florida	.083	-----	4.000	4.083
Georgia	-----	-----	3.000	3.000
Hawaii	5.885	-----	-----	5.885
Idaho	.250	-----	-----	.250
Illinois	5.080	-----	-----	5.080
Indiana	.100	2.000	----	2.100
Iowa	-----	-----	3.000	3.000
Kansas	-----	-----	3.000	3.000
Kentucky	.104	-----	5.000	5.104
Louisiana	2.000	-----	-----	2.000
Maine	-----	-----	5.000	5.000
Maryland	2.000	-----	4.000	6.000
Massachusetts	-----[1]	-----	-----	-----
Michigan	-----	-----	4.000	4.000
Minnesota	-----	-----	3.000	3.000
Mississippi	-----	5.000[2]	-----	5.000
Missouri	-----	-----	3.000	3.000
MONTANA	1.300[3]	-----	-----	1.300
Nebraska	-----	-----	2.000	2.000
Nevada	.200[4]	-----	-----	.200
New Hampshire[5]	-----[6]	-----	-----	-----
New Jersey	13.130	-----	-----	13.130
New Mexico	.250	-----	4.000	4.250
New York	3.250	-----	3.000	6.250
North Carolina	6.000	-----	-----	6.000
North Dakota	-----	-----	4.000	4.000
Ohio	4.000	-----	-----	4.000
Oklahoma	-----	-----	2.000	2.000
Oregon	.250	-----	-----	.250
Pennsylvania	2.000	-----	6.000	8.000
Rhode Island	3.000	-----	5.000	8.000
South Carolina	.300	-----	4.000	4.300
South Dakota	-----	-----	4.000	4.000
Tennessee	1.500	-----	3.000[7]	4.500
Texas	1.997[8]	-----	3.250	5.247
Utah	.250	-----	4.000	4.250
Vermont	-----	-----	3.000	3.000
Virginia	3.500	-----	-----	3.500
Washington	2.600	-----	-----	2.600
West Virginia	-----	3.900	-----	3.900
Wisconsin	-----	-----	4.000	4.000
Wyoming	.250	-----	3.000	3.250
Total States Imposing	33	8	27	49
National Average States Imposing	2.189	2.369	3.639	3.828
Montana Rank Nationally	18/33	-----	-----	43/49
Mountain States Imposing	8	1	4	8
Mountain States Average Those Imposing	.363	3.000	3.500	2.488
Montana Ranks	1/8	-----	-----	6/8

Source: All State Tax Guide (Commerce Clearing House).

Note: City and county taxes are not included in above rates.

1. Massachusetts taxes utilities on the basis of five percent of net income, not gross receipts.

2. Mississippi imposes a general occupational privilege tax based on one percent of gross receipts for industrial and commercial sales, and five percent for all other sales.

3. Montana tax is actually imposed at .575 cents per thousand cubic feet. It has been converted here to a percentage of gross revenue for comparison purposes, using an average price of 44.2 cents per thousand cubic feet.

4. Nevada also imposes a two percent tax on net proftis for county franchise.

5. New Hampshire tax is not comparable.

6. New Hampshire imposes a tax based on nine percent of net income.

7. Tennessee imposes a one percent tax on sales to manufacturers and three percent for other sales.

8. Rate in Texas varies according to population of the city or town from .581 percent to 1.997 percent.

Every telephone company operating in Montana is subject to the telephone license tax. This does not apply, however, to cooperative rural telephone companies which are assessed in the same manner as rural electric cooperatives.

The tax is levied at the rate of 1.725 percent of gross income derived from business within the state. This applies only to messages which both originate and terminate within Montana because of federal restriction of taxation of interstate commerce.

Table 10.32 shows data concerning this tax in recent years.

The data shown in Table 10.32 does not include the tax on cooperative organizations for which data is not available.

All proceeds from the telephone tax are placed in the general fund.

Interstate comparison of telephone service taxation. Montana imposes a tax of 1.725 percent of the gross revenues from telephone business within the state. This tax applies only to intrastate calls. Thirty-one other states impose similar special taxes on the gross receipts of telephone companies. Table 10.33 presents a comparison of the rates of taxes imposed by the thirty-two states which impose this type of tax.

In addition to the special tax on gross revenues of telephone utilities, there are thirty-four states which impose general sales or gross receipts taxes on the sale of telephone services. These taxes are also incorporated in Table 10.33.

A comparison of the Montana telephone tax rate of 1.735 percent with the national average shows Montana well below the average of 3.08 percent for all thirty-two states. Montana, however, ranks first among the six mountain states which impose such a tax.

When consideration is given to the total taxes applied to telephone service, Montana's rate falls far below the national average of 4.37 percent. Here Montana ranks forty-fourth out of forty-eight states. Montana is also well below the average for the eight mountain states of 3.10 percent. Comparing total taxes, Montana ranks last among the states in this group.

Telegraph Tax. *Provisions of the Montana telegraph tax.* A tax on telegraph companies was enacted by Chapter 41, Laws of 1933. Current statutes are found in Chapter 25, Title 84, Revised Codes of Montana, 1947.

Anyone transmitting telegraph messages is subject to the tax which is administered by the Public Service Commission.

TABLE 10.32

History of Telephone Tax Base and Revenue, 1963-68

Fiscal Year	Taxable Income in Thousands	Tax Collections	Percent Total Taxes
1963	$25,907	$388,601	.526
1964	27,275	409,121	.539
1965	28,205	423,073	.532
1966	29,927	448,910	.492
1967	31,373	470,589	.507
1968	33,689	505,338	.481

Sources: Biennial Reports, 1967-68 and prior issues, Montana State Board of Equalization

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennial Reports and total tax collections shown in State Government Finances.

TABLE 10.33

Telephone License Taxes
Imposed on Gross Revenues
1969

State	Public Utility Tax (Percent)	General Sales of Gross Receipts Tax Applies (Percent)	Total Taxes Imposed (Percent)
Alabama	1.40	----	1.40
Alaska	----	.25	.25
Arizona	.20	3.00	3.20
Arkansas	.40	3.00	3.40
California	2.00	----	2.00
Colorado	.20	3.00	3.20
Connecticut	----	----	----
Delaware	----[1]	.80	.80
District of Columbia	4.00	4.00	8.00
Florida	.08	4.00	4.08
Georgia	----	3.00	3.00
Hawaii	5.89	----	5.89
Idaho	.25	3.00	3.25
Illinois	5.08	----	5.08
Indiana	----	2.00	2.00
Iowa	----	3.00	3.00
Kansas	----	3.00	3.00
Kentucky	----	5.00	5.00
Louisiana	2.00	2.00	4.00
Maine	7.00[2]	5.00	12.00
Maryland	2.00	4.00	6.00
Massachusetts	----[3]	----	----
Michigan	----	4.00	4.00
Minnesota	7.00	3.00	10.00
Mississippi	----	5.00	5.00
Missouri	----	3.00	2.00
MONTANA	1.73	----	1.73
Nebraska	----	2.00	2.00
Nevada	.20[4]	----	.20
New Hampshire	----	----	----
New Jersey	3.38	----	3.38
New Mexico	----	4.00	4.00
New York	3.25	3.00	6.25
North Carolina	6.00	----	6.00
North Dakota	----[5]	4.00	4.00
Ohio	4.00	----	4.00
Oklahoma	----	2.00	2.00
Oregon	.25	----	.25
Pennsylvania	2.00	6.00	8.00
Rhode Island	8.00	5.00	13.00
South Carolina	.30	4.00	4.30
South Dakota	----	4.00	4.00
Tennessee	3.00	3.00	6.00
Texas	2.50[6]	----	2.50
Utah	.25	4.00	4.25
Vermont	5.25	----	5.25
Virginia	3.00	3.00	6.00
Washington	3.80	----	3.80
West Virginia	3.40[7]	----	3.40
Wisconsin	8.00[8]	4.00	12.00
Wyoming	----	3.00	3.00
Total States Taxing	32	34	48
Average--Those Taxing	3.08	3.25	4.37
Montana Rank Nationally	22/32	----	44/48
Mountain States Taxing	6	7	8
Mountain States Average	.47	3.14	3.10
Montana Ranks	1/6	----	8/8

Source: All States Tax Guide (Commerce Clearing House).

Note: City and county taxes are not included in the table.

1. Delaware imposes a tax based on miles of line; data is not comparable.

2. Maine rates are graduated from 1.25 percent to seven percent maximum based on gross and is imposed in lieu of property taxes other than real estate.

3. Massachusetts imposes a franchise tax at five percent of net income plus fourteen percent surcharge.

4. Nevada also imposes a two percent tax on net profits for county franchise.

5. North Dakoa taxes telephone cooperatives but not other telephone companies.

6. Texas rates vary from 1.65 percent to 2.50 percent depending upon population of the city or town.

7. West Virginia imposes an additional 3.75 percent tax on net income.

8. Wisconsin rates are graduated from two and one-half percent to eight percent depending upon gross income of each exchange.

The tax is levied at the rate of 2 percent of the gross income derived from intrastate business within the state of Montana.

Table 10.34 shows collections from the telegraph tax. It is apparent that the revenue is insignificant.

Proceeds are credited to the general fund.

Motor Carrier Gross Receipts Tax. *Provisions of the Montana tax on motor carriers.* Every person operating motor vehicles on the public roads and highways of the state for the transportation of persons or property on a commercial basis must pay a license tax which is administered by the Board of Railroad Commissioners.

The law governing motor carriers was enacted by Chapter 184, Laws of 1931. The current text is found in Chapter 1, Title 8, Revised Codes of Montana, 1947.

A fee of $10 is charged for each vehicle operated on the public roads and highways of the state. In addition, every motor carrier must pay a tax of .575 percent of its gross operating revenue. The minimum fee is $30 for each vehicle operated by Class A and Class B carriers and $15 per vehicle for Class C carriers.

Table 10.35 indicates the revenue received from this tax. The number of carriers is not the base, but is provided since it is the only information available which is at all related to the base.

Receipts from this tax are placed in the motor carrier account of the earmarked revenue fund. Money in this account is used to pay the expenses associated with the regulation of motor carriers.

Express Company Tax. *Provisions of the Montana express companies license tax.* Every express company which does business within the state is subject to the tax. An express company is defined as any person engaged in the business of conveying money, packages, or other goods by express service as distinguished from the ordinary freight lines of transportation.

The tax on express companies was enacted by Chapter 87, Laws of 1917. The current text is found in Chapter 17, Title 84, Revised Codes of Montana, 1947.

The tax is 4 percent of the gross receipts of the company from business performed within the state of Montana.

Proceeds of this tax are shown in Table 10.36. This tax is not a significant source of revenue.

Proceeds of this tax are placed in the general fund.

TABLE 10.34

History of Telegraph tax Base and Revenue, 1963-68

Fiscal Year	Taxable Gross Income	Tax Collections	Percent Total Taxes
1963	$34,550	$691	.001
1964	25,600	512	.001
1965	31,850	637	.001
1966	27,550	551	.001
1967	26,750	535	.001
1968	19,800	396	0+

Sources: Biennal Report, 1967-68 and prior years, Montana State Board of Equalization

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennial Report and total tax collections shown in State Government Finance.

TABLE 10.35

History of Motor Carriers Tax Revenue, 1963-68

Year	Number of Carriers	Tax Collections	Percent Total Taxes
1963	795	$396,048	.536
1964	800	420,129	.553
1965	806	417,495	.525
1966	840	520,856	.571
1967	849	466,184	.502
1968	910	622,504	.593

Sources: Annual Financial Statement, Board of Railroad Comissioners

State Government Finances in 1963 and subsequent issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from collections as reported by the Board of Railroad Commissioners and total tax collections reported in State Government Finances.

TABLE 10.36

History of Express Companies License Tax Base and Revenue, 1963-68

Fiscal Year	Gross Receipts	Tax Collections	Percent Total Taxes
1963	$90,950	$3,638	.010
1964	94,125	3,765	.005
1965	96,075	3,843	.005
1966	92,650	3,706	.004
1967	85,875	3,435	.004
1968	75,175	3,007	.003

Sources: Biennal Report, 1967-68 and prior years, Montana State Board of Equalization.

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Freight Line Company Tax. *Provisions of the Montana freight line company tax.* The tax on freight line companies was enacted by Chapter 137, Laws of 1949. The text of the law may be found in Chapter 48, Title 84, Revised Codes of Montana, 1947. The tax is jointly administered by the State Board of Equalization and the Board of Railroad Commissioners.

Every person who is not the owner or operator of a railroad and who engages in the business of operating or furnishing cars for the transportation of freight over railways within the state must pay a license tax. This tax is in lieu of the property tax.

The tax is levied on gross earnings apportionable to Montana. The rate of taxation is 5.5 percent. Prior to 1969, the rate was 5 percent. Because this tax is in lieu of property taxes, it is doubtful whether it is properly a public utility tax.

Table 10.37 shows the revenue from this tax in recent years.

All proceeds are placed in the general fund.

Sleeping Car Company Tax. *Provisions of Montana sleeping car company tax.* A tax is provided which is imposed on persons who operate passenger cars which are leased to railroads. The only company operating such a business in Montana in recent years was the Pullman Company. Recently Pullman ceased operation in Montana so that there will no longer be any revenue from this tax.

In 1968, the tax yielded $9,575 in collections. This represented only .009 percent of total state tax revenue.

Insurance Premiums Tax

Special taxation of insurance companies has a long history in the United States. In 1824, New York levied a 10 percent premiums tax on foreign insurance companies. The following year Vermont enacted a similar 5 percent tax. By 1850, practically all states had imposed special taxes on insurance companies of one class or another.

At present, all fifty states impose some form of an ad valorem tax on either the gross or net premiums collected by insurance companies within their jurisdictions. While in most states the tax applies to both foreign and domestic firms, the rates are higher on premiums collected by foreign firms in about one-third of the states.

Montana's tax is like that of the majority of the states and does not discriminate against foreign firms except in retaliation.

TABLE 10.37

History of Freight Line Companies Tax Base and Revenue, 1963-68

Fiscal Year	Gross Earnings	Tax Collections	Percent Total Taxes
1963	$2,944,640	147,232	.199
1964	3,169,280	158,464	.209
1965	3,522,340	176,117	.221
1966	3,529,080	176,454	.193
1967	4,088,440	204,422	.220
1968	4,381,800	219,090	.209

Sources: Biennal Report, 1967-68 and prior years, Montana State Board of Equalization.

State Government Finances in 1968 and prior issues, (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennal Report and total tax collections shown in State Govenrment Finances.

This means that Montana will impose a higher tax on foreign companies when the foreign company's home state imposes a higher tax on Montana companies than Montana imposes on foreign companies. Montana's insurance premiums tax can be considered a fiscal rather than a regulatory tool.

Provisions of the Montana Insurance Premiums Tax. Chapter 286, Laws of 1959, imposed a tax on insurance premiums which is in lieu of all other Montana taxes with the exception of the property tax on real estate, improvements, and office furniture and fixtures.

Every authorized insurer must pay the premiums tax. The provisions of this law do not apply to domestic farm mutual insurers, domestic benevolent societies, fraternal benefit societies, or health service corporations.

The insurance premiums tax is computed on the basis of net premiums collected during the year. A tax on the gross underwriting profits from wet marine and transportation insurance is separately computed on the basis of net premiums less net losses paid.

The basic tax on each insurer is 2.75 percent of net premiums.

The additional tax on wet marine and transportation insurance is .75 percent of gross underwriting profits.

A fire marshal tax of .25 percent of fire insurance premiums is also exacted.

If an insurer has at least 50 percent of its paid in capital stock invested in securities of the state of Montana, the insurer is allowed a credit for any taxes already paid to the state of Montana and its political subdivisions.

Collections of this tax are shown in Table 10.38. Revenue is approximately half that produced by the corporate license tax.

The disposition of funds from this tax is treated in 11-1834, 11-1919, and 11-2030, Revised Codes of Montana.

The premiums tax on fire insurance premiums are distributed to cities and towns for the benefit of the Fire Department Relief Association as follows:

1. Cities of the first and second class receive an amount equal to 10 percent of the total annual compensation paid to its firemen for services during the previous calendar year.

2. Other cities receive the portion of the tax which arises from insurance policies within their domains. In the event this amount is less than $100, the amount will be increased to $100 by use of premiums from other types of insurance.

TABLE 10.38

History of Revenue From Insurance Premiums Tax, 1963-68

Fiscal Year	Tax Collections	Percent Total Taxes
1963	2,566,346	3.48
1964	2,757,824	3.63
1965	2,891,125	3.64
1966	3,067,622	3.36
1967	3,315,276	3.57
1968	3,410,455	3.25

Source: State Insurance Commissioner's Reports, 1963-68

An amount equal to that paid to the Fire Department Relief Association is paid to cities for credit to the reserve fund of the Police Retirement System. This amount is to be paid from the premium tax collected on motor vehicle insurance.

Five percent of the remainder is credited to an earmarked revenue fund for payment of administrative expenses claims under the Volunteer Firemen's Compensation Act.

The Fire Marshal tax is deposited to an earmarked fund account for support.

Economic Aspects of the Insurance Premiums Tax. The purchase of an insurance policy is not unlike the purchase of a bond; it is an act of saving. Banks pay interest to customers to obtain the use of their savings. Similarly, insurance companies assume risk from their customers in return for the use of savings. Thus the sale of insurance policies represents a transaction in the market for capital. Few markets are more competitive than the market for capital. Every person and business firm in the country is potentially in the market for capital as either a buyer or seller. An insurance company with its knowledge of the market will not pay a higher price for savings in one location than in another since they would tend always to take the lower price. Looked at differently, this means that they will not accept a lower price for policies in one area than in another. The result, then, is that the actual price for insurance policies will tend to equality in all regions.

If a new tax on insurance premiums is imposed by a state or an existing one is increased, insurance companies will not accept a net price after paying the tax which is lower than the net price which they previously received. They will be willing to sell policies to residents of the state only at a price which is high enough to cover the tax and allow them exactly the same price after the tax as before.

Thus it can be considered that an insurance premiums tax imposed by Montana is completely borne by holders of insurance policies. The price of insurance is higher by the amount of the tax and insurance firms suffer no impairment in profitability.

Interstate Comparisons of Insurance Premiums Taxes. Montana imposes a tax of 2.75 percent on net premiums collected by all insurance companies doing business in the state. This tax is imposed in lieu of all other state and local taxes with the exception of property taxes on real and tangible personal property. All fifty states and the District of Columbia impose similar taxes on insurance premiums.

Table 10.39 presents a state-by-state comparison showing total insurance collected by each jurisdiction, the percentage they contribute

TABLE 10.39

Interstate Comparison
Insurance Premium Taxes
1969

State	Total Tax Collected (000)	Percent of Total Tax Revenue	Basis	General Rates Foreign (Percent)	General Rates Domestic (Percent)
Alabama	$ 13,568	2.56	G.P.	4.00	2.00
Alaska	12,147	3.55	G.P.	3.00	1.50
Arizona	6,170	1.95	G.P.[1]	2.00	1.00
Arkansas	7,237	2.50	G.P.	2.50	----
California	119,475	2.56	G.P.[1]	2.35	2.35
Colorado	10,389	2.88	G.P.[1]	2.25	1.00
Connecticut	22,491	4.50	G.P.[1]	2.00	2.75
Delaware	3,428	2.37	G.P.[1]	2.00	2.00
District of Columbia	4,619	1.52	G.P.[1]	2.00	2.00
Florida	24,321	2.53	G.P.[1]	2.37	----
Georgia	17,353	2.35	G.P.	2.25	2.25
Hawaii	5,147	1.54	G.P.[1]	3.80	2.63
Idaho	4,019	2.97	G.P.[1]	3.00	1.00
Illinois	46,226	2.68	G.P.	2.00	----
Indiana	20,294	2.49	G.P.[1]	2.00	2.00
Iowa	13,871	2.77	G.P.[1]	2.00	2.00
Kansas	9,773	2.75	G.P.[1]	2.00	1.00
Kentucky	13,260	2.61	G.P.	2.00	----
Louisiana	18,216	2.46	G.P.	1.75	1.75
Maine	3,729	2.56	G.P.	2.00	1.00
Maryland	18,537	2.40	G.P.	2.00	2.00
Massachusetts	31,665	3.06	G.P.[1]	2.28	3.10
Michigan	38,944	3.07	G.P.[1]	2.00	----
Minnesota	17,562	2.16	G.P.	2.00	2.00
Mississippi	10,656	3.31	G.P.	3.00	1.50
Missouri	21,221	3.24	G.P.	2.00	2.00
MONTANA	2,980	2.86	G.P.	2.75	2.75
Nebraska	6,151	3.17	G.P.	2.00	.60
Nevada	2,233	2.42	G.P.[1]	2.00	2.00
New Hampshire	3,131	4.18	G.P.	2.00	2.00
New Jersey	35,131	3.69	G.P.[1]	2.00	2.00
New Mexico	4,922	2.27	G.P.[1]	2.50	.75
New York	96,615	2.18	G.P.[1]	2.00	2.25
North Carolina	24,146	2.70	G.P.[1]	2.50	1.00
North Dakota	2,707	2.68	G.P.	2.50	2.50
Ohio	48,030	3.51	G.P.[1]	2.50	.20
Oklahoma	16,750	3.92	G.P.	4.00	----
Oregon	9,462	2.93	G.P.	2.25	----
Pennsylvania	46,964	2.35	G.P.[1]	2.00	2.00
Rhode Island	4,240	2.54	G.P.	2.00	2.00
South Carolina	11,995	2.94	G.P.	3.00	2.00
South Dakota	3,196	3.65	G.P.[1]	2.50	.50
Tennessee	18,698	3.35	G.P.	2.00	2.00
Texas	47,253	3.29	G.P.[1]	3.85	3.85
Utah	4,048	2.21	G.P.[1]	2.25	2.25
Vermont	1,915	2.17	G.P.[1]	2.00	2.00
Virginia	22,568	3.09	G.P.[1]	2.75	2.75
Washington	14,044	1.61	G.P.	2.00	1.00
West Virginia	8,967	2.80	G.P.	3.00	3.00
Wisconsin	16,598	1.68	G.P.	2.00	2.00
Wyoming	1,515	2.21	G.P.	2.50	1.50
Total States Taxing	------	----	----	51	44
Montana Ranks	47/51	20/51	----	10/51	4/44
National Averages	------	2.74	----	2.38	1.86
Montana States Taxing	------	----	----	8	8
Montana Ranks	6/8	3/8	----	2/8	1/8

Source: All States Tax Guide (Commerce Clearing House).

[1] Gross premiums (G.P.) do not include premiums received for reinsurance.

to total tax revenue, the basis, and the rates which are generally imposed on domestic and foreign insurance companies. Many states also impose a variety of special rates in various types of insurance. No attempt is made here, however, to compare these special rates since there is such a wide variety in their nature that any attempt at comparison would be meaningless. The only rates compared here are the general rates.

Most states define taxable premiums as gross premiums although the tax base is actually gross premiums less cancellations and returned premiums. Twenty-six states exclude premiums from reinsurance from the tax base. These are noted in the table.

Montana ranks forty-seventh out of the fifty-one jurisdictions in the amount of tax collected. This is not surprising considering the low population and low population density of Montana. Montana, however, receives a larger share of total tax revenue from this tax than do thirty-one other states.

In comparing Montana's rates with those of other jurisdictions, we find that Montana ranks fairly high. Montana's rates rank tenth out of fifty-one on foreign companies and fourth out of forty-four for domestic companies. Some states do not impose this tax on domestic insurance companies. Montana's rate of 2.75 percent is higher than the national average of 2.38 percent of foreign companies and 1.86 percent on domestic companies.

In comparison to only the eight mountain states, Montana ranks high. Montana's rate ranks second out of the eight foreign companies and first out of the group for the tax rate on domestic companies.

Chain Store License Tax

The chain store became a part of the American business scene in the 1920s and 1930s. During this period, the expansion of the chain store was phenomenal as its share of retail business increased from 6 percent in 1923 to approximately 25 percent in 1933. As the chain store grew, however, so did demand in states for special taxation of this form of business. By 1939, twenty-four states had enacted chain store license taxes.

Many arguments have been advanced in support of discriminatory taxation of chain stores. It has been said that special treatment is needed for chain stores because they will not pay their proper share of local taxes although they have a greater ability to pay than other businesses. Others see the chain store as a potential monopoly and a threat to local business (the corner grocery store) which must be disadvantaged by taxation. This argument is particularly questionable since an individually owned general store in a small town may have much greater monopoly power than chain stores in larger towns. Nevertheless, special tax treatment for chain stores has been justified on the grounds that they are a revenue source. There is thus a dual purpose for special taxation of chain stores: to raise revenue, and to discourage this form of business. Clearly there is some inconsistency here.

Provisions of the Montana Chain Store License Tax. The chain store tax was enacted by Chapter 163, Laws of 1939. The text of the law is found in Chapter 24, Title 84, Revised Codes of Montana, 1947.

Any store or mercantile establishment in which goods, wares, or other merchandise are sold at either retail or wholesale must pay the tax. The rate of tax depends on the type of establishment and the number of stores in the group. Table 10.40 shows the rate structure.

Proceeds from this tax are placed in the general fund. The history of collections and revenue significance are shown in Table 10.41.

Economic Aspects of the Chain Store License Tax. The chain store license tax cannot be said to be related to the volume of output, although it is slightly progressive according to the number of outlets. This tax can be better analyzed if it is considered as two separate taxes. The first tax is that applied to the first store of a chain as well as to independent stores. Its low rate of $6 makes its effects negligible. This tax is probably viewed as an overhead cost which is absorbed in slightly higher prices in all stores.

The remainder of the tax is applicable only to operators of more than a single outlet. This portion requires no payment from marginal independent operators of single outlets. In general, such a tax cannot be shifted forward. This is because of the fact that the prices charged by marginal firms who do not pay the tax will be unaffected. Hence these taxes must either be borne by profits or result in lower wages. If workers are not highly specialized and have other opportunities for work, the possibility that they will bear the burden is remote. Thus it can be concluded that the tax will be paid from profits.

This does not mean that consumers are completely unaffected by such a tax. While consumers may not actually pay higher prices because of the chain store tax, they may be prevented from receiving prices which would otherwise be lower. When some firms in an industry are able to earn excess profits, there will be a tendency for new firms to enter the market and attempt to obtain these attractive profits. The increase in the number of firms will lead to more competitive pricing and prices will be reduced. If the government taxes away the profits due to the efficiency of chainstores, however, the inducement for new firms to enter the market is reduced, and

TABLE 10.40

Rate Structure of Chain Store License Tax in Montana, 1969

Retail Stores and Mercantile Establishments	
First Store	$ 6.00
Second Store	51.00
Third Store	101.00
Fourth Store	151.00
Each Additional Store	201.00
Gasoline Stations, Lumber Yards, and Grain Elevators	
First Store	$ 6.00
Second Store	8.50
Third Store	16.00
Fourth Store	23.50
Each Additional Store	38.50
Wholesale Establishments	
Each Store Regardless of Number	$ 38.50

Source: Montana State Tax Guide (Commerce Clearing House).

TABLE 10.41

History of Chain Store License Tax Collections, 1963-69

Fiscal Year	Tax Collections	Percent Total Taxes
1963	$185,093	.251
1964	181,930	.240
1965	189,082	.238
1966	188,863	.207
1967	192,351	.207
1968	199,985	.191

Sources: Biennal Report 1967-68 and prior years, Montana State Board of Equalization.

State Government Finances in 1968 and prior issues (U.S. Dept. of Commerce, Bureau of the Census).

Note: Percent total taxes is derived from tax collections as shown in Biennial Report and total tax collections shown in State Government Finances.

consumers do not receive the benefits of prices which are not as low as they might otherwise be. Hence it can be argued that the chain store license tax frustrates rather than stimulates competition.

In summary, it is likely that the chainstore license tax is not shifted and it falls on the profits of chainstores. There is some possibility that some forward shifting can occur, especially if rates are high.

Interstate Comparisons of Chain Store Taxes. Table 10.42 shows the rate of the chain store license tax for several numbers of stores for twelve states. There are several types of information shown there. The first seven columns show the rates for the first, second, third, fourth, fifth, tenth, and twenty-fifth stores. Montana ranks consistently high. Although the rank is fourth for the first store, the second store has the second highest. The rates for the third through the tenth store are the highest in the country. Because rates in Texas and Colorado continue to progress through more stores than does Montana, Montana ranks only third for the twenty-fifth store.

Column eight shows the number of stores through which rates progress for the twelve states. Nine states use schedules of rates which differentiate for a greater number of stores than Montana. Idaho has a single rate per store regardless of the number of stores and North Carolina which uses two brackets. Actually the two bracket tax of North Carolina may be viewed as a chain store tax in the purest sense of the term in that single store firms pay no tax and are therefore exempt.

The ninth column shows the highest rate of tax paid in each state. Louisiana is highest here with $550 for the 501st store. Montana's highest rate is $201 for the fifth store. The lowest state is Idaho which charges $6 per store regardless of number.

Columns ten through twelve deal with the total tax paid by chains of various sizes. The sizes considered are five, ten, and twenty-five stores. Montana ranks highest in all three categories here. The rank of Montana would be slightly lower if firms with a larger number of outlets were considered. Montana, however, has the highest rates from the third store to between the tenth and twenty-fifth and always ranks at least third in this interval.

Employment and Payroll Taxes

The unemployment compensation tax is a recognition by the state that employers should bear some responsibility for those workers who are involuntarily unemployed. Similarly, that portion of the industrial accident levy which is paid by employers is a recognition

TABLE 10.42

Chain Store License Tax
Comparison of Rates of Twelve States

	Tax Per Store in Chain							Number of Store Required to Reach Top Rate	Highest Tax Paid	Tax on Chain Store by Size		
	First	Second	Third	Fourth	Fifth	Tenth	Twenty-Fifth			5 Stores	10 Stores	25 Stores
Alabama	1	15	15.00	15.00	15.00	22.50	112.50	21	112.50	61.00	173.50	1,111.00
Colorado	2	10	10.00	10.00	50.00	150.00	300.00	25	300.00	82.00	532.00	3,382.00
Idaho*	6	6	6.00	6.00	6.00	6.00	6.00	1	6.00	30.00	60.00	150.00
Iowa	0	5	5.00	5.00	5.00	5.00	35.00	51	155.00	20.00	45.00	370.00
Louisiana*	10	10	10.00	10.00	10.00	10.00	15.00	501	550.00	50.00	100.00	375.00
Maryland[1]	--	--	------	------	------	------	------	---	------	------	------	--------
Michigan	0	10	10.00	25.00	25.00	50.00	200.00	26	250.00	70.00	320.00	2,570.00
Mississippi	10	10	10.00	10.00	10.00	25.00	50.00	251	300.00	50.00	250.00	1,250.00
MONTANA	6	51	101.00	151.00	201.00	201.00	201.00	5	201.00	510.00	1,515.00	4,530.00
North Carolina	0	65	65.00	65.00	65.00	65.00	65.00	2	65.00	260.00	585.00	1,625.00
South Carolina	5	10	15.00	20.00	25.00	50.00	125.00	31	150.00	75.00	275.00	1,625.00
Tennessee[1]	--	--	------	------	------	------	------	--	------	------	------	--------
Texas	4	9	25.00	27.50	27.50	55.00	275.00	51	825.00	95.50	370.00	3,395.50
West Virginia	15	15	15.00	15.00	15.00	40.00	160.00	76	500.00	75.00	275.00	2,075.00
Montana Rank	4	2	1	1	1	1	3	9	7	1	1	1

Source: All State Tax Guide (Commerce Clearing House).

Montana Fiscal Affairs Study.

* Taxes are not comparable.

that the loss occasioned by injury to the worker should not be borne by him alone. That portion of this tax which is paid by workers is, in effect, a tax on his income and operates to impose a measure of forced savings for the purpose of anticipated future benefits. The assumption here seems to be that workers would not provide an adequate amount of insurance for themselves in the absence of government compulsion.

Provisions of the Montana Unemployment Compensation Law. The Montana Unemployment Compensation Law is contained in Title 87, Revised Codes of Montana, 1947. The original provisions were enacted by Chapter 137, Laws of 1937.

Every employer must pay unemployment benefit taxes. An employer is any person or legal entity which has employed one or more persons for some portion of a day in each of twenty different weeks or whose total annual payroll exceeds $500. The twenty weeks do not have to be consecutive.

The tax is paid by the employer based on the wages paid each individual. A rate is determined which is applied to the wages of each individual up to $3,000. The rate of taxation is based on point values assigned for an employer's record on three factors. The three factors are: 1) average annual net percentage declines in taxable payrolls for the last three years, 2) number of years the employer has paid contributions, 3) benefits paid as a percentage of contributions.

The rates which are assigned range from .5 percent to 3.1 percent.

All proceeds of this tax are placed in an insurance trust fund account. No direct benefits accrue to the state government.

Economic Aspects of Payroll Taxes. The incidence of social insurance taxes depends heavily upon the response of workers to lower wage rates--how much labor will be supplied at lower net wage rates.

The employer will tend to view his contribution as an imposed increase in wage rates. This will create pressure for a reduction in the net wages paid to workers. If the workers are willing to accept lower net wages, they will likely bear the full burden of the tax. The workers may be willing to accept such an event, if, for example, they are highly specialized so that the costs of transferring to another nontaxed industry or area are high. In this case, the tax simply transfers income from those who work to those who are out of work.

It is likely, however, that a reduction in net wages will result in a reduction in the amount of labor which is supplied to the firm.

Labor may choose more leisure or workers may seek other employment. In this case, the firm will not be so anxious to reduce wages and a portion of the tax will remain on the employer.

In the extreme case where labor is unwilling to accept lower wages because of the ready availability of alternatives or is unable to accept lower wages because of minimum wage laws, net wages will not fall at all and the entire burden of the tax will again rest on the firm.

Long-run adjustments indicate there would be a tendency for capital to migrate to areas or industries where the burden of the tax was less onerous and did not preclude a fair return on investment. This would result in less output being produced. As firms restrict output, prices will rise and a portion of the burden will be passed to consumers. In the long run, this is where the burden will rest.

Analysis of the portion of the tax which is imposed on workers is similar. They will view the tax as a decrease in net wages. If they are unwilling to accept a decrease in net wages, they will demand higher gross wages to compensate for the tax. The firm will view this demand for higher wages the same as it viewed the higher wage rates imposed by the imposition of the tax on employers. In this case, the characteristics of the labor market and the demand for the firm's output will determine the incidence of the tax on workers. In the long run, the incidence of payroll taxes is likely to be on labor and on consumers.

Interstate Comparison of Unemployment Compensation Taxes. Table 10.43 shows data for fifty-one jurisdictions including the District of Columbia. The first item presented is the amount of tax which each jurisdiction collected in 1968. With its small population and work force, Montana would be expected to rank very low in this respect. In fact, only North Dakota, South Dakota, and Wyoming collected smaller amounts of revenue from this tax.

Information is also shown with regard to the maximum and minimum rates which are used and the limitation of maximum taxable wages. Montana's minimum rates rank somewhat above the middle with only fourteen states having higher minimum rates than Montana. Montana is exactly in the middle with respect to maximum rates. Twenty-five jurisdictions impose higher maximum rates and twenty-five impose lower maximum rates. Most states limit taxable wages to the neighborhood of $3,000. Alaska uses the highest limit which is $7,200.

Because of the differences in the amount of taxable wages, an examination of nominal rates does not reveal true comparisons. Information is also shown, therefore, which indicates the dollar amount which an employer would pay for a single employee who earned the full taxable wage for both the maximum and minimum rates. Using this comparison, Montana is slightly lower in rank when looking

TABLE 10.43

Unemployment Compensation Taxes
Interstate Comparison
1969

State	Total Revenue (000)	Percentage Employer Rates Minimum	Percentage Employer Rates Maximum	Maximum Taxable Wage	Employer Taxes Minimum	Employer Taxes Maximum
Alabama	$ 24,987	.50	2.70	$3,000[3]	$ 15	$ 81
Alaska	11,409	1.50	4.00	7,200[4]	108	288
Arizona	17,846	.25	2.90	3,600	9	104
Arkansas	13,756	.30	2.90	3,000	9	87
California	539,355	.80	3.50[1]	3,800[2]	30	133
Colorado	7,098	---	3.60[2]	3,000	----	108
Connecticut	54,080	.90	2.70	3,600	32	97
Delaware	5,025	.10	3.00	3,600	4	108
District of Columbia	8,158	.10	2.70	3,000	3	81
Florida	26,404	---	4.50	3,000	----	135
Georgia	35,946	.10	4.20[3]	3,000	3	126
Hawaii	11,461	.70	3.00	5,000	35	150
Idaho	8,551	.50	4.10	3,600	18	148
Illinois	38,119	.10	2.70	3,000	3	81
Indiana	51,003	.10	3.20	3,000	3	96
Iowa	11,389	---	4.00	3,000	----	120
Kansas	16,269	---	2.70	3,000	----	81
Kentucky	25,305	---	3.20	3,000	----	96
Louisiana	29,835	.10	2.70	3,000	3	81
Maine	9,122	.50	2.70	3,000	15	81
Maryland	27,763	.10	3.00	3,000	3	90
Massachusetts	121,559	.50	3.30	3,600	18	119
Michigan	127,967	.10	4.10	3,600	4	148
Minnesota	43,334	.70	4.50	4,800	34	216
Mississippi	9,075	---	2.70	3,000	----	81

Source: All States Tax Guide (Commerce Clearing House).

1. Rates changed in 1969 effective for 1970. Rates listed are new 1970 rates.

2. Additional rates are also charged to employees for disability benefits.

3. In addition, .25 percent of taxable payroll is collected from employees

4. Additional .30 percent to .90 percent of taxable payroll is collected from employees.

merely at rates. Montana's minimum ranks eighteen and the maximum ranks thirty-five. Among the mountain states, Montana ranks four and seven for minimum tax and maximum tax respectively.

Taxation of Cooperatives

General Considerations. In general, cooperative organizations are subject to the same taxes as other business firms. There are two major exceptions to this rule. First, cooperative electric and telephone enterprises are allowed significant exemptions from taxes. In lieu of the corporate license tax and the public utility taxes on the electric and telephone companies, these organizations pay a tax of $10 for each 100 persons served. In addition, they are allowed a significant concession in property taxation. Operating property of rural electric and telephone cooperatives is placed in Class 5 which is taxed at only 7 percent of assessed value. Such property of noncooperative utilities is taxed on 30 percent of assessed value. The rationale for this lies in the fact that the areas served by these companies were considered undesirable by other utility companies. In order to provide residents of these more remote or less densely populated regions with electric and telephone service, tax concessions were made to cooperatives which would provide the service.

The second major concession consists of the treatment of patronage dividends of all cooperative enterprises. These patronage dividends are essentially rebates allowed to members on purchases from all cooperatives. The similarity between cash rebates and patronage dividends is remote because of the fact that cooperative dividends are frequently not paid out in cash but rather accrue to the member's ownership account similar to the manner in which retained earnings accrue to stockholder's equity in an ordinary corporation. Unlike the dividends of an ordinary corporation, however, patronage dividends of cooperatives are deductible in arriving at corporate taxable income.

However, patronage dividends paid out in cash or in the form of "qualified per unit retain certificates" must be claimed as gross income by patrons. Nonqualified per unit retain certificates do not qualify for reduction in the cooperatives' gross income nor are patrons required to claim them as income. The following example will serve to clarify the effects of this on the tax paid by the two types of organizations (see Table 10.44). In this example, the ordinary corporation paid exactly ten times as much license tax as the cooperative. In the event these two corporations were in the telephone or electric business, there would have been other differences in total taxes paid because of the differences in the utility tax and property tax.

An estimate of the revenue significance of the special treatment for corporate license tax purposes is available. Patronage dividends allocable to Montana in 1969 totaled $4,339,272. Had these been included in taxable income rather than being allowed as a duduction, tax collections would have been increased by 6.25 percent of that total or $271,205. Using the 5.5 percent rate which is scheduled to be in effect after 1970, the tax would be $238,660.

TABLE 10.44

Illustration of Difference in Treatment of Cooperatives and Ordinary Corporations

Cooperative	
Net income from Operations	$50,000.00
Patronage Dividends	45,000.00
Taxable Income	5,000.00
Tax	312.50
Ordinary Corporation	
Net Income from Operations	50,000.00
Taxable Income	50,000.00
Tax	3,125.00
Available for Dividends	46,875.00

Source: Montana Fiscal Affaris Study.

The Economic Effects of Special Taxation of Cooperative Enterprise. Cooperative Corporations in Montana and in the United States receive tax treatment from state and federal governments. If cooperatives meet certain specified requirements, they can become exempt from federal and state corporate income taxes. Cooperative utilities in Montana are further exempted by law from the Montana Corporate License Tax and from Electric Energy and Telephone gross receipts taxes. Montana cooperative utilities also receive favorable property tax treatment because their property is taxable at 7 percent of assessed value rather than 30 percent of assessed value. Nonutility cooperatives do not enjoy the favorable property tax treatment and are not uniformly exempted by law from the federal and state corporate income taxes. Nonutility cooperatives must qualify according to federal regulations to enjoy exemption from corporate taxes.

Nonutility cooperatives generally price their output according to existing market prices and refund "so-called savings" to members or patrons via patronage dividends. The dividends can either be in the form of cash or in the form of refundable certificates. Refundable certificates allow the cooperative to retain the funds in a revolving account and these funds can be used to finance capital expansion of the cooperative enterprise. Rural utility cooperatives also receive federally subsidized (2 percent) loans for capital expansion.

Under most circumstances, patronage dividends are not taxable to the cooperative under federal and state corporate income tax laws but are taxable to patrons under federal and state individual income tax laws. In general if the dividends or whatever they are designated are not taxed to the cooperative they are taxed to the patron and vice versa.

In the case of rural electric and telephone cooperatives, favorable tax treatment means that state and local taxes amount to only 3.2 percent of their operating revenue. This compares with a state and local tax bill of 23.5 percent of operating revenue for the investor-owned utility.[11] These differences do not include the additional tax differentials due to the federal corporate income tax treatment of cooperative utilities and investor-owned utilities. Several possible economic effects of preferential tax treatment for cooperatives may be discerned. First, because taxes are a large part of the cost of doing business, the complete or partial exemption of cooperative enterprises from taxation means that customers of cooperatives pay prices that are lower than they otherwise would pay, i.e., lower than prices charged by investor-owned enterprises. As a result of these lower prices, customers of cooperatives have higher real incomes than they otherwise would have. In effect, they receive an income subsidy from taxpayers who do not buy from cooperative enterprises because taxpayers in general pay higher taxes because of the smaller tax base.

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11. Lee Metcalf and Vic Reinemer, Overcharge (New York: David McKay Company, Inc., 1967), p. 13.

The second consequence of preferential tax treatment of cooperatives is that expansion of cooperatives into markets of investor-owned enterprise is encouraged. Lower prices give cooperatives an advantage in competing with investor-owned enterprise for customers. In Montana, these competitive repercussions have been manifested in the form of "border problems" or problems of territorial rights of investor-owned and cooperatively-owned utilities. The rate differentials attributable to differential taxation introduces a bias in favor of more rapid expansion of cooperative utilities. Business location decisions are undoubtedly affected by rate differences and cooperative utility services expand at the expense of investor-owned utilities.

The third effect of preferential tax treatment of cooperatives is that, other things being equal, the flow of income to cooperatives will be greater than that going to investor-owned enterprises. Thus, maintenance and expansion of capital is more difficult in the investor-owned enterprises. However, in the case of cooperative telephone and electric utilities, the prices they charge customers are lower than that charged by investor-owned utilities. Hence, patrons of cooperative utilities receive the "so-called savings" directly and not through patronage dividend certificates. The cooperative utility itself does not retain the bulk of these savings for capital expansion as do the nonutility cooperatives. But cooperative utilities have available to them loans for capital expansion which are subsidized by the federal government. Thus, although the tax treatment of cooperative utilities itself does not result in more readily available funds for capital expansion for cooperative utilities than for investor-owned utilities, federally subsidized low-interest loans provide that advantage to cooperative utilities.

The economic consequences of preferential tax treatment of cooperatives may be summarized as follows: first, customers of cooperatives pay lower prices and thus receive an income subsidy from taxpayers who do not belong to the cooperative. Second, the income subsidy given to cooperative customers endows cooperatives with a competitive advantage. Their expansion into existing or potential markets of investor-owned enterprises is encouraged. Third, because the income of cooperatives escapes much taxation, capital can be more rapidly augmented and expansion facilitated. Federally subsidized low-interest loans for cooperative utilities afford cooperative utilities a similar capital expansion advantage afforded the nonutility cooperatives by preferential taxation.

Impact of Recent Federal Legislation on Montana Business Taxes

The federal government recently enacted the Tax Reform Act of 1969. The revisions contained in this act will affect the federal income taxes of individual taxpayers as well as most corporations.

Although the federal changes are quite sweeping, most of them will have little or no effect upon business taxes imposed by the state of Montana. All of the public utility taxes and most of the severance taxes imposed by Montana are based upon gross revenues. Changes in the federal income tax will therefore have no effect on these taxes, since changes in the federal income tax have no effect on gross revenues of the particular businesses taxed.

The only significant effect of the federal tax changes on Montana business taxes will be those changes affecting corporate deductions, which will therefore affect corporate deductions allowed by Montana in computing the corporate license tax.

Major changes in federal corporate income tax rates, through repeal of the investment credit and elimination of the 10 percent surtax should have no effect on the Montana corporate license tax, since federal taxes are not deductible in computing the corporate license tax.

Significant federal changes in the area of capital gains will have no effect on the corporate license tax since capital gains are fully taxable under the Montana Corporate License Tax Law.

There will be some minor effect on the corporate license tax through federal changes which limit annual depreciation deductions to less rapid write-off methods for real property. Rapid depreciation methods on real property will be limited to the 150 percent declining balance method, rather than the previous 200 percent declining balance and sum of the digits methods. Even these changes are somewhat limited, since they do not affect residential property or real property used directly in production or manufacturing. The effect of these restrictions in rapid depreciation methods will be to decrease the depreciation deduction, thereby increasing taxable income, both on the federal and the state income tax returns. As stated above, however, the effect will be minor. No data is presently available with which to make any accurate estimate of the increased revenue to the state through these depreciation revisions.

Special breaks, in the form of a five-year rapid write-off for pollution control facilities, will undoubtedly increase the depreciation deductions for some corporations. Increasing the federal depreciation deduction also increases the state deduction, thereby decreasing state taxable income and tax revenue. The effect of this change should be limited to certain industries, however, and should be nominal in amount.

The change which will probably have the most effect on state taxable income and state revenue from the corporate license tax is the reduction of oil depletion allowances from 27.25 percent to 22 percent, and metal mines depletion from 15 percent to 14 percent. The effect of course will be to decrease these deductions on the state returns as well as the federal returns, thereby increasing state taxable income and state taxes. Again, insufficient data is available at the time of writing with which to make any accurate estimate of the revenue increase due to these changes. It seems to be the concensus, however, that the increase will not be of any great magnitude.

There are many other minor changes in the federal tax law which will have some effect on the corporate license tax revenue, but they are too numerous to list at this point. Those discussed above are believed to be the only revisions worthy of mention in a report of this scope and nature.

In addition to the federal income tax legislation noted above, another piece of federal legislation was enacted on December 24, 1969, which will undoubtedly have a substantial impact on state taxation of banks in general and on national banks in particular. The act passed on that date was entitled P.L. 91-156.

Methods prescribed by federal law for state taxation of national banks have generally set the pattern for state taxation of all banks. While national and state banks need not be taxed in the same manner, as long as there is no discrimination, the practical aspects of the discrimination problem have brought about almost identical treatment of national and state banks in most states. This is true in Montana where, until several years ago, state banks were subject to the corporate license tax while national banks were exempt from the tax. This inequity has since been corrected and at the present time both national and state banks are exempt from the corporate license tax.

Until enactment of P.L. 91-156 on December 24, 1969, national banks were generally subject to only one type of state tax in addition to the ad valorem taxes on their real estate. The prior federal law is embodied in Section 5219, United States Revised Statutes (12 USC 548), which authorized the states to: 1) tax national bank shares, or 2) include dividends derived therefrom in taxable income of owner, or 3) tax such national banks on their net income, or 4) tax national banks according to or measured by their net income, provided that the imposition of any one of these forms of taxation is in lieu of the others, except that a state may impose a tax measured by net income of the bank and also tax dividends of such banks in the hands of individuals.

With the advent of P.L 91-156, additional state taxes on national banks are authorized in the period from December 24, 1969, until January 1, 1972, depending upon the location of the bank's principal office. A state may impose any tax that is imposed generally throughout the state on a nondiscriminatory basis, on a national bank whose principal office is located in the state, but only to the same extent that the tax is imposed on state-chartered banks. States cannot, however, tax intangible personal property of national banks except for the share tax as authorized by Section 5219. If the principal office of a national bank is not located in the state, the state may levy on the bank: 1) sales and use taxes, 2) real property taxes, 3) documentary taxes, 4) tangible personal property taxes, and 5) various license, registration, transfer, and excise taxes and fees imposed in connection with tangible personal property if levied throughout the state on a nondiscriminatory basis. Effective January 1, 1972, the language of Sec. 5219 is eliminated and replaced with a provision that, for purposes of a federal or state tax, a national bank is deemed a bank organized and existing under the laws of the state or other jurisdiction within which its principal office is located.

The effect of this new act is to open the door for further state taxation of national banks, as well as state banks, due to the nondiscriminatory provisions. Many states have and will undoubtedly take advantage of this new source of taxation.

Montana presently imposes a bank share tax in addition to the _ad valorem_ taxes on real property of banks. The new federal legislation would open the door to at least one form of taxation on all banks; the corporation license tax could now be imposed on all national banks with principal offices in Montana, as well as state banks.

CHAPTER 11 HIGHWAY USER TAXES

CHAPTER 11

HIGHWAY USER TAXES

Introduction

Highway user taxes are universally employed in the states and are the only important example of benefit financing in the American fiscal system. The revenues from motor fuels and motor vehicle licenses and registration are almost solely earmarked for highway and road purposes. The principal responsibility for levy and administration of highway user taxes generally rests with the states.

One of the foremost problems in American society today is that of traffic congestion and traffic safety. The problems seem to be getting more difficult as time passes for obvious reasons. In 1967 there were 3.7 million miles of highways and streets in the United States. There were nearly 98.9 million motor vehicles driven by 103.2 million licensed drivers. These 103.2 million drivers traveled over 965.1 billion miles on United States highways and streets in 1967.[1] Even more significant is the fact that since 1946, vehicle miles traveled and the number of registered vehicles tripled and the number of licensed drivers more than doubled. In addition to the massive increases in the numbers of motor vehicles and drivers, these vehicles have been traveling at higher speeds and the traffic has become more concentrated around metropolitan areas. Also, there has been a substantial increase in the use of heavy trucks and trailers for transportation of freight. These factors have contributed to the pressure on state and local governments to provide more and higher quality motor vehicle transportation facilities and services.

Historically, highway construction and maintenance have been almost exclusive responsibilities of state and local governments in the United States. State and local governments have used motor fuel taxes, registration fees, operator's licenses, vehicle licenses, and miscellaneous other sources to finance transportation facilities and services. Recently, there has been considerable financing through the use of tolls in construction of toll highways. The Federal-Aid Highway Act of 1956 and the companion Highway Revenue Act of 1956 provided the basis for the Interstate System. The Federal-Aid Act of 1956 provided for federal-state participation in construction of the Interstate System in which the federal government provides 90 percent and the states provide 10 percent of the funds. Federal revenues for support of the Federal Highway Trust Fund are derived from excise taxes on gasoline, diesel, tires, oil, and trucks and buses.

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[1] Highway Statistics, 1967 (U.S. Department of Transportation, Bureau of Public Roads).

Highway user taxes are important in the fiscal systems of the states. Although comparisons among the states are tenuous because of differing state-local fiscal arrangements and responsibilities, such comparisons point out the magnitude of motor vehicle taxes in state fiscal systems. Table 11.1 shows some interstate comparisons of several different aspects of state motor vehicle taxation. Column 1 of Table 11.1 shows the relative importance of motor vehicle and operator licenses in the tax systems of the fifty states. Column 2 shows the relative importance of fuel taxes and column 3 shows the combined importance of all state motor vehicle taxes in the state tax systems. Column 4 shows the state motor vehicle taxes levied per capita in the fifty states and column 5 measures state motor vehicle taxes per $1,000 personal income in each state.

The relative significance of combined user tax receipts varied widely from a high of 41.9 percent in New Hampshire to a low of 11.5 percent in New York. Note that Hawaii has no charge for vehicle and operator licenses. Combined motor vehicle revenue exceeded one-fourth of total tax receipts in twenty-one states. The fifty-state average of motor vehicle tax and license receipts was 21.1 percent in fiscal 1968. Ten states had combined motor vehicle tax receipts of less than one-fifth of total tax receipts. Montana motor vehicle taxes were at 30.4 percent of total state tax revenue, 9.3 percent above the fifty state average. Vehicle operator and vehicle license receipts are below the fifty-state average relative to total state tax receipts but the difference is minor. The relative importance of motor fuel tax receipts in Montana was greater than the fifty-state average in fiscal 1968. Montana ranked ten among the fifty states in the importance of combined motor vehicle tax receipts in the state tax structure.

Differences among the states in ratios of motor vehicle tax revenue to total state tax revenue result partially from the differences in taxing authority as among state and local governments and partially from the large differences in other major taxes levied in the states. However, a general picture of the burden of motor vehicle taxes can be given by comparison of motor vehicle revenue per capita and motor vehicle revenue per $1,000 of personal income. On a per capita basis, motor vehicle tax receipts in Montana in 1966 were $46.08. This per capita figure puts Montana $7.58 above the fifty-state average of $38.50, and Montana's per capita burden ranked fifteenth among the fifty states. In fiscal 1968 Montana's motor fuel tax receipts were $16.47 per $1,000 of personal income, $4.14 above the fifty-state average of $12.33. On the basis of motor vehicle taxes per $1,000 of personal income, Montana ranked twelve among the fifty states--only eleven states had higher motor vehicle taxes in relation to personal income.

It is clear from Table 11.1 that the eight western states tax highway users above the national average in both per capita terms and in rela-

TABLE 11.1

Comparison of Motor Vehicle Taxes Among the States
Fiscal 1968

State	Vehicle and Operator License Revenue as Percent of Total Tax Revenue[1]	Fuel Tax Revenue as Percent of Total Tax Revenue	Total Motor Vehicle Revenue as Percent of Total Tax Revenue	Total Motor Vehicle Revenue Per Capita	Total Motor Vehicle Revenue Per $1,000 Personal Income
Alabama	4.6	19.3	23.9	35.50	16.54
Alaska	7.8	12.9	20.7	45.21	12.31
Arizona	5.5	16.7	22.2	42.04	15.80
Arkansas	10.3	22.6	32.9	47.39	23.09
California	5.2	12.5	17.7	42.73	11.70
Colorado	5.9	14.7	20.6	36.33	12.02
Connecticut	6.3	15.4	21.7	36.62	9.34
Delaware	6.4	11.3	17.7	47.86	13.41
Florida	9.9	19.6	29.5	46.67	16.81
Georgia	4.3	17.8	22.1	35.45	14.20
Hawaii	---	6.1	6.1	19.03	6.13
Idaho	10.4	15.9	26.3	50.94	19.95
Illinois	9.9	13.1	23.0	36.19	9.72
Indiana	6.6	16.7	23.3	37.63	11.93
Iowa	13.9	17.9	31.8	58.18	18.68
Kansas	9.1	15.2	24.3	37.63	12.45
Kentucky	3.8	18.0	21.8	34.31	14.32
Louisiana	3.1	11.5	14.6	28.97	12.02
Maine	9.4	20.2	29.6	44.24	16.76
Maryland	5.2	12.9	18.1	36.27	10.82
Massachusetts	3.6	11.8	15.4	29.38	8.32
Michigan	6.0	11.4	17.4	37.53	11.25
Minnesota	7.6	13.3	20.9	46.65	15.24
Mississippi	3.6	21.6	25.2	34.68	18.24
Missouri	9.5	15.4	24.9	35.36	11.88
MONTANA	6.8	23.6	30.4	46.08	16.47
Nebraska	6.3	27.5	33.8	45.67	14.84
Nevada	8.7	16.3	25.0	57.11	16.26
New Hampshire	15.8	26.1	41.9	44.97	15.08
New Jersey	10.5	16.4	26.9	36.25	9.99
New Mexico	10.4	13.5	23.9	51.13	20.89
New York	4.9	6.6	11.5	28.21	7.42
North Carolina	5.4	16.3	21.7	38.10	15.97
North Dakota	13.8	15.4	29.2	47.36	18.63
Ohio	10.4	20.8	31.2	40.32	12.71
Oklahoma	13.4	18.9	32.3	54.89	20.96
Oregon	12.4	18.3	30.7	49.62	16.27
Pennsylvania	5.6	14.5	20.1	34.46	10.89
Rhode Island	7.3	13.2	20.5	37.43	11.41
South Carolina	3.6	18.3	21.9	33.68	15.76
South Dakota	11.6	22.2	33.8	45.24	17.03
Tennessee	10.0	19.6	29.6	42.92	18.32
Texas	10.4	18.4	28.8	37.72	13.88
Utah	5.3	15.3	20.6	36.65	14.21
Vermont	12.5	13.7	26.2	54.84	19.65
Virginia	7.6	17.8	25.4	40.39	14.60
Washington	4.5	14.3	18.8	50.43	15.20
West Virginia	8.0	13.8	21.8	38.64	16.62
Wisconsin	6.6	11.6	18.2	42.71	13.61
Wyoming	13.1	20.6	33.7	73.50	24.47
50-State Average	6.9	14.2	21.1	38.50	12.33
8-State Average[2]	10.3	18.0	27.5	49.15	17.38

Source: State Government Finances in 1968 (U.S. Department of Commerce, Bureau of the Census).

Note: The data in this table are based on the United States Bureau of the Census' definitions and measurement of motor vehicle revenue. License revenue includes charges for title registration and vehicle inspection and excludes personal property taxes and sales taxes relating to motor vehicles. In the case of Montana, the new car sales tax is excluded. Operators licenses, included with vehicle licenses include both private and commercial licenses. Motor fuel tax receipts include taxes on gasoline, diesel oil, and other fuels including aircraft fuel.

1. License revenue in Montana includes gross vehicle weight fees, special mobile plate fees, and title and registration fees on private and commercial motor vehicles.

2. The eight states are Colorado, Idaho, Montana, Nevada, North Dakota, South Dakota, Utah, and Wyoming. In column 1 through 5, Montana ranked 7th, 1st, 3rd, 5th, and 5th, respectively, among the eight states.

tion to personal income. But the differences must be considered small, given the variations among the states. Also, motor vehicle revenues make up a larger share of total tax revenue in the eight western states than in the nation as a whole. However, Montana taxes highway users less heavily than the average of the eight western states in per capita terms and in terms of personal income.

Another method of comparing the level of motor vehicle taxes in Montana, relative to other states, is to look at motor vehicle taxes per registered motor vehicle in the states. Specifically, vehicle and operator license revenue, motor fuel revenue, and the combined license and fuel tax revenues were divided by the number of private and commercial motor vehicles registered. Motor vehicles exclude trailers, semitrailers, and motorcycles, and include private and commercially owned automobiles, trucks, and buses. Table 11.2 shows the dollars of revenue per registered vehicle from licenses, fuel taxes, and the combined revenue from licenses and fuel for each state. Ignoring Hawaii, which has no vehicle registration fee, license revenue per vehicle ranges from a low of $11.74 in Kentucky to a high of $58.07 in Vermont. License revenue per vehicle in Montana was $16.20, about $10.00 below the fifty-state average. Montana's rank among the fifty states in license revenue per vehicle was forty-one. Motor fuel revenue per vehicle ranges from a low of $38.39 in Kansas to a high of $73.46 in Alaska. Montana motor fuel revenue per vehicle was $56.14, about $2.00 above the fifty-state average. In motor fuel revenue per vehicle, Montana ranked twenty-five among the fifty states. The differences between Montana motor vehicle revenues per vehicle and the fifty-state average must be considered very small because of the extreme variation among the fifty states.

The eight western states are very close to the fifty-state average in terms of all these measures of revenue per vehicle. There is essentially no meaningful difference in the eight-state averages and the fifty-state averages of motor vehicle revenue per vehicle.

Economic Aspects of Highway User Taxes

The rationale of highway user taxation rests on three principal propositions. Stated broadly, they are: (1) Government has embarked upon providing a public service, much the same as public utility services are provided by private enterprise, in assuming responsibility for construction and maintenance of motor transportation facilities; (2) In a good tax structure, it is generally assumed that limited reliance on the benefit principle is desirable; and (3) Highway user taxes are highly productive revenue producers and meet other practical tests of good taxes including ease of compliance and administration.[2] The analogy

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[2] R. A. Zubrow, R. L. Decker, E. H. Plank, Financing State and Local Government in Nevada (Carson City, 1960), p. 237

TABLE 11.2

Motor Vehicle Tax Revenue Per Registered Vehicle Fiscal 1968

State	Vehicle and Operator License Revenue Per Registered Vehicle	Motor Fuel Tax Revenue Per Registered Vehicle	Total Motor Vehicle Revenue Per Registered Vehicle
	(Dollars)	(Dollars)	(Dollars)
Alabama	$13.99	$60.04	$ 74.03
Alaska	44.39	73.46	117.85
Arizona	20.13	60.47	80.60
Arkansas	30.66	67.47	98.13
California	22.48	54.28	76.76
Colorado	17.43	43.57	61.00
Connecticut	20.61	50.31	70.92
Delaware	34.61	62.29	96.90
Florida	29.01	56.94	85.95
Georgia	14.67	61.51	76.18
Hawaii	.20[1]	44.65	44.85
Idaho	32.08	49.07	81.15
Illinois	35.85	47.51	83.36
Indiana	20.58	52.59	73.17
Iowa	43.01	55.52	98.53
Kansas	22.73	38.39	61.12
Kentucky	11.74	56.96	68.70
Louisiana	14.18	52.89	67.07
Maine	31.08	66.05	97.13
Maryland	24.49	60.93	85.42
Massachusetts	17.32	55.52	72.84
Michigan	27.59	52.91	80.50
Minnesota	31.45	54.87	86.32
Mississippi	11.75	69.79	81.54
Missouri	28.56	46.23	74.79
MONTANA	16.20	56.14	72.34
Nebraska	14.17	60.95	75.12
Nevada	32.66	60.78	93.44
New Hampshire	34.96	57.80	92.76
New Jersey	31.82	49.44	81.26
New Mexico	40.48	52.44	92.92
New York	38.21	48.93	87.14
North Carolina	20.66	62.42	83.08
North Dakota	35.30	39.19	74.49
Ohio	27.00	54.28	81.28
Oklahoma	37.81	53.12	90.93
Oregon	34.60	50.83	85.43
Pennsylvania	21.31	55.14	76.45
Rhode Island	28.36	51.17	79.53
South Carolina	13.02	65.20	78.22
South Dakota	13.24	61.56	74.80
Tennessee	31.49	61.13	92.62
Texas	25.76	45.50	71.26
Utah	17.04	51.81	68.85
Vermont	58.07	63.26	121.33
Virginia	29.02	68.79	97.81
Washington	21.61	69.44	91.05
West Virginia	33.75	58.85	92.60
Wisconsin	33.55	60.00	93.55
Wyoming	40.74	64.28	105.02
50-State Average	26.01	54.20	80.21
8-State Average[2]	25.59	53.30	78.89

Sources: State Government Finances in 1968 (U.S. Department of Commerce, Bureau of the Census).

Highway Statistics, 1967 (U.S. Department of Transportation, Bureau of Public Roads).

1. Hawaii has no charge for vehicle registration.

2. The eight states are Colorado, Idaho, Montana, Nevada, North Dakota, South Dakota, Utah, and Wyoming. Montana's ranks among the eight western states in columns 1 through 3 are 7th, 4th, and 6th, respectively.

between government provision of transportation facilities and public utility services is valid. But there are broad economic and social implications which temper its strict application. Strict application of the cost of service approach to financing transportation facilities and services would deny use to those who could not bear the full cost of such facilities and services. It would also deny the existence of indirect benefits not associated with actual use. It is generally considered appropriate public policy to set user charges at a level so that those with limited ability to pay are not severely penalized or restricted in their use of transportation facilities and services. It is also considered appropriate policy that nonusers who receive indirect benefits should be required to pay some of the costs through other forms of taxation.

In addition to the questions of apportioning street and highway costs to nonusers, there are problems of allocating costs to motor vehicle users. The assignment of costs to motor vehicle owners and among various types of vehicles is particularly troublesome. Several factors can be identified which are considered in determining and allocating highway and street costs. These factors are: (1) the number of vehicles that must be accomodated; (2) the miles traveled; and (3) the weight of the vehicles and its distribution.[3] Although these factors are important in determining the costs of streets and highways, they individually possess weaknesses in assigning costs to users.

The existence of and the number of vehicles to be accomodated is a primary determinant of highway costs. In discussing the accomodation aspect of highway cost, Zubrow made the following comments:

> Costs of right of way and certain basic elements of planning and engineering, traffic safety and administrative expense are illustrative of this element. The width requirement for highways and streets is also largely controlled by the number and size of vehicles. The extent of these costs cannot be precisely determined....The type of cost under consideration seems to merit a uniform charge on each type of vehicle, although differences in the size of vehicles would affect such costs in some degree and might be reflected in a higher charge for the large vehicles. In any case, the registration or license tax is an appropriate means of recovering these costs.[4]

Zubrow made the following observation about the relative use aspects of highway and street costs:

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[3] *Ibid*., p. 238

[4] *Ibid*., p. 241

> The relative use of highway and street facilities is commonly thought to be the major factor influencing costs, and fuel consumption is generally regarded as a measure of such relative use. Of course, there are significant variations in mileage per-gallon-of-fuel for vehicles of the same class and as between classes of vehicle, and these differences usually are not reflected in fuel tax policy. The reasons for the uniform rate policy are readily apparent. There are serious administrative problems inherent in a differential rate structure, and the uniform tax per gallon generally results in a higher tax per mile on the heavy vehicles. The bias of the tax, therefore, is in the right direction. Special fuels and types of engine, diesel in particular, present a different problem as mileage per gallon varies substantially for vehicles of the same weight depending upon whether they are powered by combustion or diesel type engines, and use regular or special fuels....In view of the limited use of special fuels other than diesel, it may be expedient to disregard this element of discrimination. In the case of diesel fuel, however, the degree of variance as well as the importance of the use appear to justify a differential rate.[5]

Wear and tear on highway and street facilities associated with weight is assessed by Zubrow as follows:

> The relative damage factor, which is commonly thought to be a peculiar function of weight and weight distribution, presents the most difficult and certainly the most controversial aspect of cost analysis and apportionment. As a practical matter, the specific problem is one of determining the element of costs attributable to these factors, and of establishing a reasonable base or bases for assigning the additional costs. In approaching its solution, one must recognize that the differentials in costs by weight and its distribution are also a direct outgrowth of use.[6]

Considerable study has been given to the problems of user costs and allocations of these costs. It has been the result of many highway finance studies that no particular method of allocating costs are sound and equitable *per se*. Most methods stand on fairly sound theoretical grounds but administrative problems and arbitrary and inequitable effects cannot be avoided. Consequently, concentration on any particular method will magnify inequities and emphasize its arbitrary aspects. Also, the methods of allocating costs cannot stand alone because of the complex nature of highway and street facilities use.

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[5] *Ibid.*, p. 241

[6] *Ibid.*, p. 241-242

Highway User Taxes in Montana

Motor vehicles provide a lucrative source of revenue to both state and local governments in Montana. There were 441.4 thousand private and commercial vehicles registered in Montana in 1967. These vehicles consumed 340.9 million gallons of motor fuel during the calendar year 1967. In 1967 there were 391.0 thousand drivers licenses in force. The state of Montana licenses both motor vehicles and motor vehicle operators; it taxes fuels used in motor vehicles on highways and streets; and it levies property taxes against the value of vehicles as personal or business property. Local governments also collect property taxes on the taxable value of motor vehicles within their jurisdictions.

The state also issues a wide variety of permits and charges fees for a wide variety of purposes. A reasonably exhaustive list of these fees, charges, and permits related to highway use, users, and motor vehicles is presented in the Compendium of Montana State and Local Taxes and Licenses in Part IV of this report. The nature of those fees, charges, and permits is described and collections are reported when it was possible to secure reliable and consistent data. Consequently, additional discussion of these revenue sources would add little.

CHAPTER 12

TAXES ON TOBACCO PRODUCTS, ALCOHOLIC BEVERAGES, AND PARIMUTUELS

Introduction

The taxation of goods whose consumption is considered luxurious, sinful, or socially undesirable has long been an important source of revenue in the United States. This is illustrated by the taxation of alcoholic beverages and tobacco products. There are three arguments which are frequently used to justify the imposition of heavy tax burdens on these items.

The most economically valid of these is the argument that demand for these items is relatively inelastic. This means that an increase in price to the consumer will result in little or no decrease in the quantity demanded. Thus, the imposition of heavy tax burdens on these items will not cause a significant decrease in the tax base.

The second argument is that the heavy taxes place on the consumer the burden of the extra costs to society which result from consumption of these items. These costs may arise from requirments for extra police protection, damages caused by intoxicated persons, or the costs of building hospitals for patients.

The final argument is based on the assumption that governments have a right to make moral judgments for their constituents and to attempt to penalize violators of this morality by means of heavy taxation. The effectiveness of this penalty is directly contradicted by the inelasticity of demand mentioned above.

Cigarette Taxes

The taxation of tobacco products by the federal government dates back to the Civil War. Today the federal excise tax on cigarettes yields over $2 billion per year.

In 1921 Iowa imposed the first state tax on cigarettes. Since then, all fifty states have adopted such a tax. Montana imposed its cigarette tax in 1947. The special session of the 1969 legislature extended taxation to all other tobacco products as well. Table 12.1 shows the history of the rate of taxation and collections from the cigarette tax. Unfortunately, no information is yet available concerning revenue from the taxation of other tobacco products.

TABLE 12.1

Historical Collections and Rate of Cigarette Excise Tax Collections, of Distributors License Tax, Percentage of Total State Tax Revenue Contributed by Taxes on Cigarettes, and Number of Packs Sold in Fiscal Years 1948-1968.

Year	Cents Per Pack	Excise Tax Collections[1]	License Tax Collections[1]	Percent Total Taxes[2]	Packs Sold[3]
1948	2	$1,315,522	$27,490	5.054	65,776
1949	2	1,306,210	4,625	4.426	66,326
1950	2	1,335,847	4,870	3.946	66,792
1951	4	2,029,435	3,655	5.847	67,648
1952	4	2,764,786	3,630	7.416	69,120
1953	4	2,923,267	3,230	7.824	73,082
1954	4	2,791,045	2,530	7.099	69,776
1955	4	2,761,524	2,185	6.647	69,038
1956	4	2,933,293	8,070	5.972	73,332
1957	8	3,132,016	2,645	5.956	67,925
1958	8	5,509,868	2,920	9.756	68,873
1959	8	5,723,544	3,415	9.433	71,682
1960	8	5,870,032	2,940	9.054	73,375
1961	8	6,139,390	2,665	8.940	76,742
1962	8	6,208,110	1,755	8.889	77,601
1963	8	6,405,421	1,600	8.677	80,068
1964	8	6,058,847	1,745	7.984	75,736
1965	8	6,312,334	1,875	7.940	78,904
1966	8	6,162,295	1,595	6.759	77,029
1967	8	6,261,943	1,275	6.747	78,274
1968	8	6,187,966	1,590	5.896	77,350

Sources: 1. Biennial Report, Montana State Board of Equalization, 1967-1968 and preceding issues.

2. Total of excise and license taxes as shown above divided by total tax collections as shown in State Government Finances in 1968 and prior issues (U.S. Department of Commerce, Bureau of the Census).

3. Derived from excise tax collections divided by net cents per pack after discount.

Note that changes in the rate of tax had considerable effect on revenue. Collections have grown by 370 percent since 1948 while packs sold have grown by only 17.6 percent. Both sales of cigarettes and tax collections have fluctuated considerably from year to year. Since 1958 the relative importance of cigarette tax revenue has steadily declined. This is attributable to the slow 1.17 percent growth rate of this source compared with the higher growth rates of other sources of revenue.

Cigarette taxes vary considerably from state to state. Two features, however, are nearly standard. The tax is levied at a rate of cents per pack and most states allow a discount on the purchase of stamps to cover the cost to the wholesaler of affixing the stamps to the packages. Table 12.2 shows the rate, the discount, the state tax as a percent of price before all taxes, net collections, the percent of total taxes contributed by the cigarette tax, sales per capita, and tax per capita for all states in 1968.

In 1968, of the forty-nine states which imposed a cigarette tax, sixteen had higher rates than Montana, sixteen had lower rates, and sixteen besides Montana had the same eight cents per pack rate as Montana.

Of these same states, only nine allowed a greater discount than Montana and thirty-seven allowed lower discounts. This discount reduces the tax collections in Montana by $326,000 from what they would otherwise be.

The burden of the tax can be indicated somewhat by considering the increase in price caused by the imposition of the tax. This is the percentage given by dividing the state tax by the price before taxes. Montana is slightly above the national average here with a rate of 48.2 percent as compared with the 47.5 percent average.

The cigarette tax contributes a slightly greater percentage of total taxes in Montana than the national average. The cigarette tax in Montana contributes 5.9 percent of total taxes whereas the national average contribution is 5.3 percent.

Sales per capita helps to explain some of the variations in the amounts of taxes collected. Marked differences may be seen between states. Many of these differences may be explained by the popularity of the state with tourists or other causes of large influxes of smokers who are not counted in the population. Montana's per capita sales are only 116.1 packs per year whereas the national average is 132 packs per year. This appears again in the tax per capita which in Montana is $9.29 as opposed to the national average of $10.56 per person.

The variation in tax per thousand dollars of personal income varies widely from a high of 5.69 mills in New Hampshire to a low of .93 mills in Virginia.

TABLE 12.2

Interstate Comparison of Cigarette Tax Features Including Rate Per Pack Distributors Discount Per Pack, State Tax as Percentage of Price Before All Taxes, Net Collections, Percent of Total State Tax Collections, Number of Packs Sold Per Capita, Tax Per Capita, and Tax Per Thousand Dollars of Personal Income
Fiscal 1968

State	Cents Per Pack Tax	Cents Per Pack Discount	Tax as Percent of Pre-tax Price	Net Collections	Percent Total Taxes	Packs Sold Per Capita	Tax Per Capita	Tax Per $1,000 Personal Income
				(000)			(Dollars)	(Mills)
Alabama	10.0	.75	53.8	$ 28,768	5.4	88.4	$ 8.84	3.46
Alaska	8.0	.08	25.3	2,524	4.2	117.2	9.38	2.22
Arizona	10.0	.15	55.2	14,518	4.6	115.6	11.56	2.88
Arkansas	8.0	.48	53.7	15,385	5.3	104.0	8.32	3.34
California	10.0	.09	53.8	207,895	4.5	124.3	12.43	2.71
Colorado	5.0	.30	32.7	11,729	3.2	126.4	6.32	1.72
Connecticut	8.0	.18	49.4	32,751	6.6	143.2	11.46	2.60
Delaware	7.0	.25	40.7	5,823	4.0	164.8	11.54	2.87
Florida	15.0	.44	82.0	71,325	7.3	129.3	19.40	3.63
Georgia	8.0	.24	44.0	37,514	5.1	105.0	8.40	2.95
Hawaii	8.0	---	47.6	4,972	2.0	75.7	6.06	1.84
Idaho	7.0	.35	41.4	4,607	3.4	99.1	6.94	2.46
Illinois	9.0	.15	49.5	126,260	7.3	132.6	11.93	2.89
Indiana	6.0	.24	38.2	38,681	4.7	134.3	8.06	2.24
Iowa	10.0	.50	55.6	29,367	5.8	109.2	10.92	3.24
Kansas	8.0	.30	48.2	17,532	4.9	100.1	8.01	2.31
Kentucky	2.5	---	15.2	10,739	2.1	142.8	3.57	1.26
Louisiana	8.0	.72	46.2	32,934	4.4	117.3	9.38	3.36
Maine	10.0	.23	64.9	12,424	8.5	135.6	13.56	4.51
Maryland	6.0	.30	35.9	25,541	3.4	121.7	7.30	1.82
Massachusetts	10.0	.26	58.8	67,713	6.5	128.0	12.80	3.23
Michigan	7.0	.07	41.4	79,816	4.2	134.2	9.39	2.48
Minnesota	8.0	.22	47.6	32,536	4.0	113.7	9.10	2.67
Mississippi	9.0	.72	50.6	18,792	5.8	89.0	8.01	3.85
Missouri	4.0	.18	22.3	24,525	3.7	137.3	5.49	1.63
MONTANA	8.0	.40	48.2	6,188	5.9	116.1	9.29	3.03
Nebraska	8.0	.40	47.3	11,939	6.2	109.5	8.76	2.56
Nevada	7.0	.40	38.2	5,665	5.5	189.7	13.28	3.19
New Hampshire	7.0	.25	47.0	13,009	17.3	264.0	18.48	5.69
New Jersey	14.0	.18	84.3	99,746	10.5	130.0	18.23	3.56
New Mexico	8.0	.24	36.5	7,685	3.5	99.9	7.99	2.88
New York	12.0	.60	64.5	230,213	5.2	124.9	14.99	3.07
North Carolina	2.0	.29	----	-------	---	-----	-----	----
North Dakota	8.0	.24	49.1	4,879	4.8	97.0	4.80	2.85
Ohio	7.0	.29	42.4	89,348	6.5	129.8	6.50	2.40
Oklahoma	13.0	.52	81.7	28,110	6.6	113.0	6.60	3.87
Oregon	4.0	.17	27.0	12,416	3.8	162.0	3.80	1.86
Pennsylvania	13.0	.39	83.9	152,662	7.6	117.1	7.60	3.81
Rhode Island	8.0	.26	35.7	9,981	6.0	142.9	6.00	3.08
South Carolina	5.0	.30	31.3	13,897	3.4	95.7	3.40	2.19
South Dakota	8.0	.28	48.8	5,197	5.9	100.4	5.90	2.75
Tennessee	8.0	.54	47.6	33,472	5.8	109.2	5.80	3.26
Texas	11.0	.25	71.4	134,272	9.3	108.4	9.30	4.04
Utah	8.0	.32	46.2	5,237	2.9	64.3	2.90	1.82
Vermont	10.0	.38	61.7	5,447	6.2	128.8	12.88	4.17
Virginia	2.5	.13	14.0	13,204	1.8	122.8	3.07	.93
Washington	11.0	.21	59.1	35,533	4.0	101.5	11.17	2.94
West Virginia	7.0	.28	40.9	13,042	4.1	119.8	8.39	2.93
Wisconsin	10.0	.24	64.1	45,527	4.6	111.4	11.14	3.21
Wyoming	8.0	.48	48.2	3,178	4.6	136.5	10.92	3.16
U.S. Average	8.0	.30	47.5	$1,935,518*	5.3	132.0	10.56	2.83

* Total.

Sources: All State Tax Guide (Commerce Clearing House, as revised prior to December 1969).

State Government Finances in 1968 (U.S. Department of Commerce, Bureau of the Census).

The Tax Burden on Tobacco, Historical Compilation, Vol. 3 (Tobacco Tax Council, Inc. 1968).

Net collections divided by personal income as shown in Survey of Current Business (August 1969).

Taxes on Other Tobacco Products

Taxes on tobacco products other than cigarettes fall into two general categories. One type is levied as a percent of wholesale price. The other is levied as a flat rate of cents or mills per item. This latter type is generally impossible to compare among states because of differences in the categories of items used. It is also regrettable that there are as yet no figures to demonstrate the effects of the tax Montana imposes on these products, since it is still in its first year of operation.

The states which levy taxes similar in structure to that passed in Montana are shown in Table 12.3, along with their rates of taxation. Eleven of the fourteen states shown in this table impose a higher rate of taxation than does Montana.

Table 12.4 shows the net revenue collected from taxes on these products and the percent contribution made to taxes on all tobacco products, including cigarettes in 1968. It is quite clear that the revenue derived from the taxation of these products does not approach the magnitude or importance of that collected from cigarettes. There are several differences between the states included in Tables 12.3 and 12.4 because of the number of states which have imposed these taxes after 1968. The table also includes states with noncomparable tax structures.

Licensing of Distributors

In addition to imposing taxes on tobacco products, most states provide for the licensing of persons who sell them. No figures are available to determine much about the revenue derived from license fees. Furthermore, the amount of the fees and the manner in which they are determined varies too much from state to state for meaningful comparisons.

Disposition of Funds

Revenue from the excise tax is credited to the long range building bond account of the earmarked revenue fund for servicing of the debt. License fees are credited to the general fund.

Alcoholic Beverage Taxes

Alcoholic beverages have been taxed as a source of revenue since the repeal of prohibition. In addition to taxes, many states derive revenue from the operation of state liquor monopolies which are state enterprises and therefore not treated here.

Taxes on alcoholic beverages generally consist of two parts. One part consists of the licensing of manufacturers and purveyors of alcoholic beverages. The other is an excise tax which is passed to the consumer. Table 12.5 shows revenues derived from excise taxes and licensing provisions, total revenue, and the percent contribution to total tax collections

TABLE 12.3

Rates of Taxation on Tobacco Products Other Than Cigarettes in States Which Levy Such a Tax as a Percentage of Wholesale Price, 1969

State	Rate (Percent)
Arkansas	15.0
Delaware	30.0
Hawaii	40.0
Illinois	20.0
Iowa	10.0
Kansas	35.0
Minnesota	20.0
MONTANA	12.5
New Hampshire	30.0
North Dakota	11.0
Rhode Island	25.0
Vermont	20.0
Washington	30.0
Utah	25.0

Source: All State Tax Guide (Commerce Clearing House, as revised prior to December 1969).

TABLE 12.4

Net Collections of Taxes on All Tobacco Products, Net Collections of Taxes on Tobacco Products Other Than Cigarettes, and Taxes on Products Other Than Cigarettes as Percentage of Total Tobacco Tax Collections for All States Taxing Products Other Than Cigarettes
Fiscal 1968

State	Net Revenue from Taxes on Cigarettes and Other Tobacco Products	Net Revenue from Taxes on Tobacco Products Other Than Cigarettes	Taxes on Products Other Than Cigarettes as Percentage of Total Tobacco Tax Collections
Alabama	$ 28,768	$ 1,599	5.6
Arizona	14,518	328	2.3
Georgia	37,514	777	2.1
Hawaii	4,972	497	10.0
Iowa	29,367	564	1.9
Louisiana	32,934	1,647	5.0
Minnesota	32,536	956	2.9
Mississippi	18,792	1,491	7.9
New Hampshire	13,009	650	5.0
North Dakota	4,879	147	3.0
Oklahoma	28,110	2,652	9.4
South Carolina	13,897	2,084	15.0
Tennessee	33,472	871	2.6
Texas	134,272	7,569	5.6
Utah	5,237	179	3.4
Vermont	5,447	264	4.8
Washington	35,533	1,578	4.4
Total	$473,255	$23,853	5.0*

Source: The Tax Burden on Tobacco, Historical Compilation, Vol. 3 (Tobacco Tax Council, Inc., 1968).

* Average.

for the fifty states. The percentage contribution of these taxes to total taxes in Montana is the seventh highest in the nation. At 5.7 percent of total taxes collected in 1968, they are considerably more important than the national average of 3.5 percent. License taxes are relatively small in importance when compared with collections from excise taxes.

Table 12.6 shows historical tax collections of taxes on alcoholic beverages in Montana. From Table 12.6 we see that dollar amounts collected have been rising in all areas except license fees of retail liquor outlets. These fluctuate widely, however, so great significance cannot be attached to this fact. Collections of the excise tax on beer will increase significantly in fiscal 1970 since the rate doubled from $1.50 per barrel to $3.00 per barrel, effective July 1, 1969.

Rate structures are generally divided into beer, wine, and liquor. Some states also have provisions for products such as hard cider.

Montana is one of a very small number of states which levy the excise tax on wine and liquor as a percent of the retail selling price. Most states levy a fixed dollar amount per gallon. The result of this is that the Montana tax depends not only on the quantity of liquor purchased but also on the quality insofar as price and quality are related. This also leads to difficulties in comparing the rate of the tax in Montana with that in other states. Table 12.7 indicates the tax per gallon which is equivalent to the Montana tax for several prices of beverages. The price given refers to the price at a state liquor store and includes all taxes.

Table 12.8 shows the rates of taxation which are imposed by the various states. The list is complete with regard to beer. Only forty-two states are listed under wine and liquor. The remaining eight states do not clearly state an excise tax which can be separated from state liquor monopolies.

The tax on beer in Montana is in the middle when compared with other states. Twenty-four states have higher taxes on beer than does Montana and twenty-four have lower rates. Hawaii expresses its beer tax as a percent of the wholesale price and is not included in this comparison because of problems of converting the tax rate.

The taxes imposed on wine and liquor are complicated by the existence of many different types of classification schemes used in applying different rates to different products. For purposes of comparison, therefore, Table 12.8 shows only the highest rate and the lowest rate applied to each of these products under any circumstances. In some cases, these rates are applied only to a small group of products. For example, the lowest rate on wine in Michigan is applicable only to the relatively small amount of wine produced in that state. It can be stated, however, that the tax actually applied to any product is somewhere in the intervals defined in Table 12.7.

TABLE 12.5

Interstate Comparison of Significance of Alcoholic Beverage Taxes
Fiscal 1968

State	Excise Tax Collections[1]	License Tax Collections[1]	Percent Total Taxes	Excise Tax Per Capita	Excise Tax Per Thousand Dollars Personal Income
	(000)	(000)			(Mills)
Alabama	29,574	1,558	5.9	$ 8.29	3.74
Alaska	3,741	690	7.3	13.51	3.90
Arizona	6,839	625	2.4	4.10	1.48
Arkansas	8,432	382	3.0	4.19	1.91
California	93,370	14,975	2.3	4.86	1.41
Colorado	9,474	1,192	3.0	4.63	1.56
Connecticut	18,290	4,210	4.5	6.18	1.78
Delaware	2,529	282	1.9	4.74	1.39
Florida	87,523	2,204	9.2	14.21	4.57
Georgia	44,717	419	6.1	9.75	3.55
Hawaii	6,291	-----	2.6	8.09	2.33
Idaho	3,402	504	2.9	4.83	2.08
Illinois	52,053	1,075	3.1	4.74	1.21
Indiana	18,448	4,423	2.8	3.64	1.32
Iowa	8,469	2,134	2.1	3.08	1.17
Kansas	8,823	395	2.6	3.83	1.22
Kentucky	18,340	816	3.8	5.68	2.25
Louisiana	28,624	1,392	4.1	7.67	3.06
Maine	4,163	570	3.2	4.25	1.72
Maryland	14,103	172	1.9	3.75	1.02
Massachusetts	44,754	424	4.4	8.23	2.15
Michigan	59,990	5,498	3.5	6.86	2.04
Minnesota	26,196	232	3.2	7.18	2.17
Mississippi	9,655	85	3.0	4.12	2.00
Missouri	11,145	1,479	1.9	2.41	.84
MONTANA	4,731	1,251	5.7	6.83	2.93
Nebraska	5,884	136	3.1	4.09	1.29
Nevada	3,682	18	3.6	8.13	2.08
New Hampshire	1,935	276	2.9	2.76	.97
New Jersey	33,583	988	3.6	4.74	1.23
New Mexico	3,855	169	1.9	3.80	1.51
New York	71,665	66,579	3.1	3.96	1.84
North Carolina	28,315	280	3.2	5.51	2.10
North Dakota	3,990	189	4.1	6.38	2.44
Ohio	42,301	9,824	3.8	3.99	1.40
Oklahoma	15,852	803	3.9	6.30	2.29
Oregon	2,041	657	.8	1.02	.40
Pennsylvania	73,650	8,088	4.1	6.29	2.04
Rhode Island	4,106	63	2.5	4.50	1.29
South Carolina	34,189	1,295	8.6	12.70	5.59
South Dakota	4,059	679	5.4	6.18	2.51
Tennessee	22,176	344	3.9	5.58	2.20
Texas	51,657	2,512	3.8	4.71	1.63
Utah	2,041	8	1.1	1.97	.71
Vermont	7,462	228	8.7	17.68	5.89
Virginia	31,263	391	4.3	6.80	2.24
Washington	32,784	1,898	3.9	10.01	2.87
West Virginia	15,270	405	4.9	8.46	3.52
Wisconsin	22,197	71	2.2	5.27	1.57
Wyoming	353	9	.5	1.12	.36
Total	$1,137,986	$142,897	3.5*	5.72*	1.87*

Sources: 1. State Government Finances in 1968 (U.S. Department of Commerce, Bureau of the Census).

2. Total collections divided by personal income as shown in Survey of Current Business (August 1969).

* Average

TABLE 12.6

Historical Collections of Alcholic Beverage Taxes in Montana and Their Significance to Total Tax Collections

Year	Collections of Taxes on Liquor	Retail Liquor Outlet License Fees	Collections of Excise Tax on Beer	Retail Beer Outlet License Fees	Percent Total Taxes
	(000)	(000)	(000)	(000)	
1959	$2,611	$530	$434	$423	5.7
1960	3,217	527	602	431	7.4
1961	3,259	527	637	439	7.1
1962	3,355	517	642	430	6.9
1963	3,477	538	659	456	7.0
1964	3,486	515	673	450	6.8
1965	3,664	514	683	451	6.7
1966	3,889	529	689	468	6.1
1967	4,084	508	710	446	6.2
1968	4,266	519	732	465	5.7

Source: Montana Liquor Control Commission, Annual Reports, 1968 and prior years.

TABLE 12.7

Relation of Price Per Fifth in Montana State Liquor Store and Equivalent Gallonage Tax

Price Per Fifth	Equivalent Gallonage Tax
$1.00	$ .85
2.00	1.65
3.00	2.50
4.00	3.33
5.00	4.17
6.00	5.00
7.00	5.83
8.00	6.67
9.00	7.50

Source: Montana Fiscal Affairs Study.

TABLE 12.8

Rates of Taxation on Alcoholic Beverages

State	Wine		Liquor		Beer
	(Lowest)	(Highest)	(Lowest)	(Highest)	
Alabama	35%[1]	35%[1]	35%[1]	35%[1]	$16.55
Alaska	$.60	$ .60	$4.00	$4.00	7.75
Arizona	.42	.42	2.00	2.00	2.48
Arkansas	.75	.75	2.50	2.50	6.20
California	.01	.30	2.00	2.00	1.24
Colorado	.20	.30	1.80	1.80	1.86
Connecticut	.25	.625	2.00	2.00	2.50
Delaware	.80	.80	.90	1.65	2.00
Florida	.23	2.30	.47	7.50	9.92
Georgia	.40	2.50	1.875	3.75	10.00
Hawaii	20%[2]	20%[2]	20%[2]	20%[2]	20%[2]
Idaho	10%[1]	10%[1]	10%[1]	10%[1]	4.65
Illinois	.08	.60	2.00	2.00	2.17
Indiana	.40	2.42	2.08	2.08	2.71
Iowa	15%[1]	15%[1]	15%[1]	15%[1]	3.72
Kansas	.20	.50	.50	.50	3.72
Kentucky	.50	.50	1.28	1.28	2.50
Louisiana	.11	1.58	1.68	1.68	10.00
Maryland	.20	.20	1.50	1.50	.93
Massachusetts	.40	.50	2.95	2.95	2.74
Michigan	.04	.50	8%[1]	8%[1]	6.30
Minnesota	.24	2.70	3.74	3.74	3.20
Mississippi	.35	1.00	2.50	2.50	13.23
Missouri	.15	.15	1.20	1.20	.93
MONTANA	20%[1]	20%[1]	20%[1]	20%[1]	3.00
Nebraska	.20	.55	1.60	1.60	2.48
Nevada	.30	1.40	.30	1.40	1.86
New Jersey	.10	.40	2.30	2.30	1.03
New Mexico	.40	.40	1.50	2.40	2.48
New York	.10	.533	.666	2.25	1.38
North Carolina	.60	2.40	10%[1]	10%[1]	15.00
North Dakota	.50	1.00	2.50	2.50	4.96
Oklahoma	.36	.75	2.40	2.40	10.00
Rhode Island	.40	.50	2.50	2.50	2.00
South Carolina	.90	.90	5.44	5.44	23.81
South Dakota	.25	1.00	1.25	2.50	8.00
Tennessee	1.10	1.10	4.00	4.00	3.40
Texas	.132	.66	1.68	1.68	4.30
Utah	8%[1]	8%[1]	8%[1]	8%[1]	4.00
Vermont	.25	.25	5.60	5.60	7.75
Wisconsin	.0017	.0034	2.25	2.25	1.00
Wyoming	.24	.24	.80	.80	.62

Source: All State Tax Guide (Commerce Clearing House, as revised prior to December, 1969).

Note: Rates are cents per gallon unless otherwise noted.

1. Percent of retail price.

2. Percent of wholesale price.

The lowest priced and, hence, lowest taxed liquor found in a particular state liquor store in Missoula was "Old Mr. Boston Sloe Gin." The price of $3.45 per fifth implies a tax rate of $2.85 per gallon. Referring to Table 12.7 this rate ranks tenth in the column of highest taxes and eighth in the column of lowest taxes. This means only nine states possibly impose a higher tax on this product and only seven states definitely do impose a higher tax. The most expensive item found was "Beam's Royal Reserve." The price of $11.95 per fifth implies a tax of $9.95 per gallon. Only Alabama's tax rate of 35 percent of retail price exceeds this amount.

Similar relationships were found among wine taxes. Alabama is the only state which consistently taxes higher than Montana. Table 12.9 shows the implied tax per gallon and ranking of several other beverages in Montana. The consistently high rankings indicate that Montana's taxes on wine and liquor are among the very highest in the nation.

Disposition of Funds

Beginning with fiscal 1970, 37.5 percent of the tax on beer is distributed among the incorporated cities and towns for use in law enforcement. The remainder is credited to the general fund. If these proportions had been in effect in 1968, $448,875 would have been distributed to cities and towns and $748,125 would have been deposited to the general fund.

Using the new tax rate, these amounts would be $897,750 and $1,496,250 respectively, assuming no decrease in sales because of the higher taxes.

The 20 percent tax on liquor and wine is technically composed of a 16 percent excise tax and a 4 percent license tax. The excise tax is deposited to the general fund as is the revenue from license fees of licensed retail outlets. The 4 percent license tax is distributed among the counties, cities, and towns in proportion to their liquor sales. In 1968, $3,413,000 of excise taxes and $519,000 of license fees were deposited to the general fund for a total of $3,932,000. Eight hundred and fifty-three thousand dollars was distributed among the cities, towns, and counties to be used for enforcement of laws relating to alcoholic beverages.

Parimutuel Taxes

The remaining type of tax which is generally considered under the category of sumptuary is the tax on gambling. In Montana the only legal gambling is horse racing. Persons who participate in any horse race meet must be licensed and must pay a tax on their share of all gross receipts of each day's parimutuel betting. There is also an annual license fee of $10.

TABLE 12.9

Equivalent Gallonage Taxes for Several Types of Wine and Liquor in Montana and Their Relationships to Taxes of Other States

Brand	Tax Per Gallon	Number of States Which Definitely Impose a Higher Tax	Number of States Which Possibly Impose a Higher Tax
Beam's Royal Reserve	$9.95	1	1
Early Times Bourbon	4.40	3	4
Canadian Club	5.90	1	1
Seagram's 7	4.10	3	4
100 Pipers Scotch	6.25	1	2
J.W. Scotch	4.35	3	4
Old Mr. Boston Sloe Gin	2.85	7	9
Italian Swiss Colony Chablis	.90	2	12
St. Julien Bordeaux	3.50	1	1
Paul Masson Brut--Champagne	4.00	1	1
H. Mumm & Co.--Champagne	7.48	1	1

Source: Derived from Tables 12.7 and 12.9 according to prices found in a state liquor store.

The revenue from these sources is placed in the earmarked revenue fund to pay the expenses of the Horse Racing Commission.

The revenue from the parimutuel tax in Montana is not very significant. Table 12.10 shows the amount of revenue and its percent of total taxes for parimutuel taxes in those states for which they are explicitly reported in publications by the Bureau of the Census.

TABLE 12.10

Receipts of Parimutuel Taxes and Their Percent of Total Taxes for States Having Such a Tax

State	Collections (000)	Percent Total Taxes
Arizona	$ 3,172	1.02
Arkansas	4,011	1.38
California	53,487	1.15
Colorado	3,141	.87
Delaware	6,374	4.40
Florida	43,089	4.43
Idaho	94	.07
Illinois	37,031	2.14
Kentucky	4,753	.93
Louisiana	4,202	.57
Maine	1,398	.96
Maryland	12,712	1.69
Massachusetts	18,682	1.81
Michigan	16,876	.89
MONTANA	21	.02
Nebraska	1,875	.97
New Hampshire	7,911	.51
New Jersey	32,978	3.46
New Mexico	730	.34
New York	142,801	3.21
Ohio	13,863	1.01
Oregon	2,152	.66
Pennsylvania	7,093	.35
Rhode Island	10,209	6.12
South Dakota	1,108	.27
Vermont	2,142	2.43
Washington	1,354	.15
West Virginia	8,974	2.80
Wyoming	7	.01

Source: State Government Finances in 1968 (U.S. Department of Commerce, Bureau of the Census).

Note: Montana Collections are for 1968-69 and were obtained from the Bureau of the Budget since a figure was not shown in the above source for Montana.

PART IV

TAXES AND REVENUES NOT CURRENTLY USED BY MONTANA

Chapter 13 Potential New Sources of Revenue for Montana

Chapter 14 Retail Sales and Use Taxes

Chapter 15 Gross Receipts Taxation

Chapter 16 Value-Added Tax

Chapter 17 Federal Revenue Sharing

CHAPTER 13 POTENTIAL NEW SOURCES OF REVENUE FOR MONTANA

CHAPTER 14

RETAIL SALES AND USE TAXES

Introduction

In fiscal 1968, 34 percent of all state and local revenues in the United States were obtained from retail sales and use taxes. Nearly $10.5 billion was collected from sales taxes in 1968. The retail sales tax is one of the few taxes, other than the property tax, which is not used as a source of revenue by the federal government. As such, it provides a large tax base for state and local governments not already heavily used by the federal government and without the problems of tax overlapping.

The retail sales tax is used as a source of revenue in forty-five states and the District of Columbia. It serves as a source of revenue in more states than any other tax except the property tax. Retail sales taxes are used in all states, except Delaware, Mississippi, Montana, New Hampshire, and Oregon. Additionally, nearly 3,000 local governments now employ a retail sales tax. However, 1,300 of these local governments are in Illinois. Fourteen other states allow their local governments this additional revenue source.

From 1931 to 1940, twenty-four states enacted general sales taxes. During the period from 1938 to 1947, there were no state sales taxes adopted. From 1947 to 1950, five states adopted general retail sales taxes to augment their revenue systems. But since 1950, sixteen states have added general retail sales taxes to their tax structures. In 1967 Minnesota and Nebraska added retail sales taxes at 3 percent and 2.5 percent respectively. In 1969 Vermont added a retail sales tax of 3 percent.

Sales Tax Rates of the States

Table 14.1 shows the number of states having sales tax rates ranging from 2 percent to 6 percent. The most frequently used rate is 3 percent. Twenty of the forty-five states use the 3 percent rate. Twelve states use the 4 percent rate.

Retail sales taxes differ widely among the states in terms of their detailed application. They are, however, a levy of a certain

TABLE 14.1

Retail Sales Tax Rates of Forty-Five States and the District of Columbia as of October 1969

Sales Tax Rates	Number of States	States
(Percent)		
2.00	4	Indiana, Louisiana, Nebraska, Oklahoma
3.00	20	Arizona, Arkansas, Colorado, Georgia, Idaho, Iowa, Kansas, Massachusetts, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, North Dakota, Tennessee, Vermont, Virginia, West Virginia, Wyoming
3.25	1	Texas
4.00	13	Alabama, California, District of Columbia, Florida, Hawaii, Maryland, Michigan, New Mexico, Ohio, South Carolina, South Dakota, Utah, Wisconsin
4.25	1	Illinois
4.50	1	Washington
5.00	5	Connecticut, Kentucky, Maine, Mississippi, Rhode Island
6.00	1	Pennsylvania
Total	46	

Source: All States Tax Guide (Commerce Clearing House, Inc., 1969).

percent varying from 2 percent to 6 percent on tangible personal property sold at retail. Some states also include services in the sales tax base. In recent years there has been some movement away from the stigma of defining a retail sale as referring to tangible personal property. This has resulted from the recognition that inclusion of services adds to the base of the sales tax and, additionally, inclusion of services adds to the progressivity of the sales tax.

As a general rule, if an item is for resale, no tax is applied. If the item is for use, it is not certain that the tax will apply and the individual statutes usually explicitly specify taxability. Most states employ the component parts or ingredient rule in determining whether certain purchases at retail are to be taxed. If the material of which an item is composed becomes a physical part of some other article through physical or chemical processes, the sale is termed a sale for resale and not taxed. Beyond this rule, which is used in the majority of sales tax states, each exempts and includes items specifically by statute and regulation.

Most discussions of the retail sales tax treat it as a uniform tax on consumption expenditures exclusively. These discussions when compared with practice are erroneous and misleading. In practice most state sales taxes exclude much consumption expenditure on services and include many business purchases which are not consumption expenditures. Sales taxes levied on the purchases of business firms constitute a significant portion of the retail sales tax revenue of most states.

There is a broad array of definitions for sales taxes and, consequently, much caution should be exercised when generalizing about aspects of this type of taxation. In the case of each state which has a sales tax, detailed consideration was given to specific provisions to assure the tax was tailored to fit the economic, social, and political climate of each state. It should be emphasized that much of what will be said about potential retail sales taxation in Montana must be regarded as provisional in absence of a statute, some historical experience, and other social and economic data for Montana in particular. We must resort to some tangible data if we are to shed any light on questions of sales taxation. In doing so, we will draw heavily on the experience in other states and on the research already done on the subject.

Selected Taxable Items of Various States

Table 14.2 shows selected taxable items of the forty-five states ranked according to sales tax yield per $1,000 of personal income for each 1 percent of sales tax rate in fiscal year 1968. Forty or more of the states tax transient accomodation, restaurant meals, and office equipment. From thirty to forty of the states tax alcoholic beverages, cigarettes, groceries, gas and electricity, and farm machinery. Thirty states tax telephone and telegraph services, and twenty-five states tax

TABLE 14.2

Selected Taxable Items of State Sales Taxes of Forty-five States, Ranked in Descending Order of Retail Sales Tax Revenue Per $1,000 of Personal Income for Each One Percent of Sales Tax
1968

Rank*	State	Commodities					Services							Business Purchases				
							Public Utility				Other							
		Alcholic Beverages	Cigarettes	Groceries	Prescription Drugs	Gasoline	Gas and Electricity	Telephone and Telegraph	Water	Transportation	Transient Accomodations	Admissions	Restaurant Meals	Farm Machinery	Feed, Seed and Fertilizer	Raw Materials	Industrial Fuel	Office Equipment
	Number of States Taxing	39	32	30	19	9	30	30	16	8	40	25	45	31	2	2	17	44
1	Hawaii	x	x	x	x	x					x	x	x	x			x	x
2	West Virginia	x	x	x	x						x	x	x				x	x
3	Indiana	x	x	x		x	x	x	x		x		x					x
4	Washington	x	x	x	x						x	x	x	x			x	x
5	Wyoming			x	x		x	x		x	x	x	x	x				x
6	Louisiana	x	x	x	x			x			x	x	x	x				x
7	Arizona	x	x	x			x	x	x	x	x	x	x	x			x	x
8	Georgia	x	x	x	x	x	x	x		x	x	x	x				x	x
9	Arkansas	x		x	x		x	x	x		x	x	x	x			x	x
10	Nebraska	x	x	x			x	x	x		x	x	x	x				x
11	Tennessee	x	x	x	x		x	x	x		x		x	x				x
12	Nevada	x	x	x	x								x	x				x
13	New Mexico	x	x	x			x	x	x	x	x	x	x	x		x	x	x
14	North Dakota	x	x	x			x	x	x		x	x	x	x			x	x
15	Idaho		x	x				x			x	x	x	x			x	x
16	Missouri	x	x	x	x		x	x	x	x	x	x	x	x			x	x
17	Michigan	x	x	x		x	x	x			x		x					x
18	Iowa	x	x	x	x	x	x	x	x		x	x	x	x				x
19	Mississippi	x	x	x	x	x	x	x	x	x	x		x	x			x	x
20	Oklahoma	x		x	x		x	x		x	x	x	x	x	x			x
21	Kansas	x	x	x	x		x	x	x		x	x	x	x				x
22	North Carolina	x	x	x							x		x	x		x	x	x
23	Alabama	x	x	x	x						x	x	x	x				x
24	Colorado	x		x			x	x			x		x	x				x
25	Utah	x	x	x			x	x		x	x	x	x	x				x
26	South Carolina	x	x	x	x		x	x			x		x					x
27	Florida	x	x				x	x			x	x	x	x				x
28	Illinois	x	x	x	x	x							x	x			x	x
29	California	x	x										x	x			x	x
30	Maine						x	x	x		x		x	x				x
31	South Dakota	x	x	x	x		x	x	x		x	x	x	x	x		x	x
32	Rhode Island	x					x	x	x		x		x	x				x
33	Kentucky	x	x	x	x		x	x	x		x	x	x	x			x	x
34	Ohio	x	x								x		x					
35	Minnesota	x					x	x	x		x	x	x	x				x
36	Pennsylvania	x					x	x			x		x					x
37	Maryland	x	x				x	x			x		x	x				x
38	Texas						x						x					x
39	Connecticut	x									x		x	x				x
40	New Jersey	x									x	x	x					x
41	New York	x	x			x	x	x			x	x	x					x
42	Virginia		x	x							x		x					x
43	Massachusetts	x	x			x							x	x				x
44	Wisconsin	x					x	x			x	x	x					x
45	Vermont						x				x		x	x			x	x

Sources: All States Tax Guide, Topical Law Reports (Commerce Clearing House, Inc., 1968).

Daniel C. Morgan, Jr., Retail Sales Tax--An Appraisal of New Issues (Madison: University of Wisconsin Press, 1964), pp. 144-154.

Note: It is difficult to determine the taxability of some items from sources available. To get the precise status of all the items, the state regulations would be required. The designation of taxable items in eath state was made according to our best judgment, resulting from careful study of available sources.

* According to sales tax yield per $1,000 of personal income for each 1 percent of sales tax rate.

admissions. Nineteen states tax prescription drugs, sixteen tax water services, and seventeen states tax industrial fuel. Only nine states tax gasoline in addition to the excise tax already levied on gasoline. Eight states tax transportation services and only two states tax feed, seed, and fertilizer, and raw materials used in manufacturing. It is interesting to note from Table 14.2 that no state exempting food ranks above twenty-seven in yield of sales tax per $1,000 of personal income for each 1 percent of sales tax rate. Twelve of the fifteen states exempting food rank thirty-five or lower in tax per $1,000 of personal income for each 1 percent of sales tax rate. The treatment of food in a sales tax is a dominant factor in the yield of a sales tax.

Both income and sales taxes are used as revenue sources in most states. They are both major revenue producers in those states and, therefore, play an important role in state and local fiscal policy. Although both income and sales taxes are regarded by most people as desirable revenue sources for states and they have played a dominant role in the growth of state and local revenue, there are important differences which are worth noting. On political grounds they are both popular but more states use the sales tax than use the income tax. This is because the sales tax base is large and significant amounts of revenue can be obtained with apparent low rates and the sales tax is the only large tax base not already subject to heavy taxation at the federal and local levels.

There is more uncertainty in the incidence of a sales tax than the income tax when sales tax burdens are related to income as the base. Studies of the sales tax show that the sales tax has a lower income elasticity of yield than an income tax and will therefore not provide automatic increases in tax revenue as large as the income tax with increases in income.[1]

Economic Impact of Retail Sales Taxes

The major economic aspects of sales taxation fall into two categories of analysis. One aspect is concerned with the equity of sales taxation and the other is concerned with the effect of sales taxation on efficient functioning of a market economy. In some respects these two aspects of sales taxation are closely related.

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1. Elasticity yields from a large number of sources show the median sales tax elasticity of yield of 1.00, whereas the median income tax yield elasticity is 1.65. Thus, for a 10 percent increase in income, state income taxes yield an additional 16.5 percent more revenue but sales tax will yield only 10 percent more revenue. Advisory Commission on Intergovernmental Relations, Sources of Increased State Tax Collections: Economic Growth vs. Political Choice (October 1968), p. 3. An Information Report, M-41.

Equity Considerations

Sales tax laws typically specify that the purchaser is to pay the sales tax. Most people assume that such legal specifications are necessary and sufficient to assure that consumers bear the burden of the sales tax. In reality, however, legal edict does not assure the intended result.

Most economists also assume that sales taxes on household purchases are shifted forward to consumers. The reasoning is that the sales tax is regarded by sellers as an element of cost and is added to prices either explicitly or implicitly. However, this view discounts the operation of the economic forces of supply and demand, and instead of these forces determining prices, a markup procedure determines prices. If the forces of supply and demand operate properly, the response of a producer or seller is not quite as certain as a markup procedure would imply. The forces of supply and demand operate in a market situation where alternatives exist for purchasers. If consumers can substitute a nontaxed commodity or service for one that is taxed, the seller may increase the price due to the levy in order to maintain volume, but by less than the full amount of the tax. In this case the purchaser does not bear the full amount of the tax but rather the seller absorbs some portion as well. These economic repercussions are not anticipated in either typical legal specifications of sales tax laws or in the markup doctrine.

The final resting place (incidence) of sales and use taxes applied to business purchases are even more illusive to trace. Economic analysis of the incidence of taxes on business purchases is more complex and empirical verification is a formidable task.

In spite of the shortcomings of economic analysis to pin down matters of incidence with precision, it is generally assumed that the markup theory is a reasonably close approximation to what happens in practice, especially in regard to household purchases of items subject to a sales tax. Analysis of the incidence of sales taxes on consumers is then possible by use of budget studies which measure amounts of purchases subject to sales taxation by consumers with various income levels.

Since general retail sales taxes are a deduction on the federal income tax return, the Internal Revenue Service, in order to simplify compliance problems for taxpayers, carries on continuing studies in which estimated sales tax payments by income class are made. The Internal Revenue Service provides tables of estimated sales tax payments for households by family size and income class for all sales tax states. Instead of requiring taxpayers to keep records of all sales tax payments for deduction purposes, these tables can be used at the option of the taxpayer. The studies carried on by the Internal Revenue Service provide the most complete and useful information available. Accordingly, we have used this data to demonstrate the differences in sales tax burden on households by income class for some of the states. Table 14.3 shows the sales tax payments for each 1 percent of sales tax rates in three states, Idaho, Illinois, and Massachusetts. These states were selected to provide information on a cross-section of states. Illinois employs

TABLE 14.3

Sales Tax Per 1 Percent of Tax by Adjusted Gross Income Level for a Family of Four--1969

Adjusted Gross Income Bracket		Idaho[1]	Illinois	Massachusetts
Over	Under			
	$ 3,000	$ 19.00	$ 24.47	$ 3.67
$ 3,000	4,000	23.00	29.41	4.67
4,000	5,000	26.33	33.88	5.67
5,000	6,000	29.33	37.88	6.67
6,000	7,000	32.33	41.41	7.67
7,000	8,000	35.00	44.71	8.67
8,000	9,000	37.67	48.00	9.67
9,000	10,000	40.00	51.06	10.67
10,000	11,000	42.33	53.88	11.33
11,000	12,000	44.67	56.71	12.33
12,000	13,000	46.67	59.29	13.33
13,000	14,000	48.67	61.88	14.00
14,000	15,000	50.67	64.47	15.00
15,000	16,000	52.67	66.82	15.67
16,000	17,000	54.67	69.18	16.67
17,000	18,000	56.67	71.53	17.33
18,000	19,000	58.67	73.65	18.33
19,000	20,000	60.67	75.76	19.00
25,000		66.74	83.34	20.90
30,000		72.81	90.92	21.80
50,000		78.87	98.49	24.70
70,000		91.00	113.64	28.50
100,000		127.41	159.10	39.90
200,000		127.41	159.10	39.90

Source: Derived from U.S. Master Tax Guide (Commerce Clearing House, 1969), p. 67.

[1] Idaho allows a $10.00 refund credit for each dependent exemption against the individual income tax. That is, a family of four may subtract up to $40.00 from their income tax liability to offset the impact of the 3 percent sales tax in Idaho.

a relatively "high" sales tax and Massachusetts employs a relatively "low" sales tax in terms of payments by consumer and household units. Idaho is a state close to Montana geographically and possesses very similar economic characteristics.

Comparisons of sales tax burdens among the states is difficult because of differences in income, spending patterns, amounts of interstate purchases, and exemptions peculiar to each state. No states employ sales taxes which are identical in terms of coverage, and there are significant differences in income levels, income distribution, and spending patterns. These factors cause differences in sales tax collections per capita.

Comparison of Sales Tax Yields and Rates Among States. The differences in the role of sales taxes and the burden of sales taxes among the states were prepared. Table 14.4 shows sales tax yield as a percent of total tax revenue ranges from 53.9 percent in Washington to 10.8 percent in Wisconsin. Sales tax revenue comprises 31.8 percent of total state tax revenue in the forty-four states. Per capita yield for each 1 percent of sales tax rate ranges from a low of $6.34 in Wisconsin to $36.75 in Hawaii. The average per capita yield for each 1 percent of sales tax rate is $16.48. Sales tax yield per $1,000 of personal income for each 1 percent of sales tax rate ranges from $2.02 in Wisconsin to $11.84 in Hawaii, and the average of the forty-four states is $5.86.

Many sales tax states have excluded food and drugs from sales taxation. The popular appeal of exempting food and drugs cannot be denied and the reasoning on which it rests is basically sound. It is simply that low-income families spend a larger portion of their incomes on food and drugs than high-income families. By not taxing food and drugs, a large share of the spending done by low-income families is not taxed. High-income families for which food and drugs are a smaller share of total spending pay taxes on more of their purchases.

Demographic factors confuse the issue of the exclusion of food, especially in Montana. Farm families grow a considerable amount of their own food. Persons who live in rural areas have the opportunity to grow a portion of their own food but most urban dwellers must purchase almost all of their food from retail outlets. The twenty-four counties in the state having urban areas had food store receipts amounting to $359 per capita in 1967. The twenty-seven counties with no urban areas for which information is available had food store receipts of $239 per capita. Information is not available for five counties. The differential between the urban and rural counties of the state is $120. However, this is only partly because rural families grow their own food. Another reason is that people from rural counties do some shopping in urban counties. This lowers expenditures in rural counties and raises them in urban counties. Rural dwellers also tend to have lower incomes than urban dwellers, and food and drug expenditures per capita may be less in rural counties for this reason as well. Nevertheless, the exclusion of food from the base of a retail sales tax would favor urban over rural counties. If a higher tax rate were necessary to offset the reduction in revenue due to exclusion of food from the base, the impact would be to transfer tax liability from urban to rural counties.

TABLE 14.4

States Ranked According to Sales Tax Yield as Percent of Total Tax Revenue,
Yield Per Capita and Per $1,000 of Personal Income for
Each 1 Percent of Sales Tax
All States
Fiscal 1968

Rank	State	Sales Tax Yield	Yield as Percent of Total Tax Revenue	Rate	Per Capita Yield for Each 1 Percent of Rate		Yield Per $1,000 Personal Income for Each 1 Percent of Rate	
		(000)	(Percent)	(Percent)		(State Rank)		(State Rank)
1	Washington	$ 473,184	53.9	4.50	$ 26.69	3	$ 9.67	4
2	Illinois	861,716	49.8	4.25	18.48	14	4.96	28
3	Hawaii	114,360	47.1	4.00	36.75	1	11.84	1
4	West Virginia	144,522	45.1	3.00	26.69	4	11.48	2
5	Maine	62,304	42.6	5.00	12.73	28	4.82	30
6	Mississippi	135,957	42.2	5.00	11.61	32	6.11	19
7	Missouri	268,689	40.9	3.00	19.36	13	6.50	16
8	Rhode Island	67,267	40.3	5.00	14.73	24	4.49	32
9	Indiana	322,301	39.3	2.00	31.80	2	10.08	3
10	Michigan	727,495	38.6	4.00	20.81	9	6.24	17
11	South Dakota	32,743	37.2	4.00	12.46	30	4.69	31
12	Ohio	508,598	37.1	4.00	12.01	31	3.78	34
13	Florida	357,683	36.8	4.00	14.52	25	5.23	27
14	Georgia	271,227	36.8	3.00	19.71	11	7.89	8
15	Pennsylvania	735,767	36.7	6.00	10.47	37	3.31	36
16	Tennessee	205,325	35.6	3.00	17.21	20	7.35	11
17	Kansas	125,558	35.2	3.00	18.17	15	6.01	21
18	Wyoming	24,198	35.2	3.00	25.61	5	8.53	5
19	Alabama	180,358	34.0	4.00	12.64	29	5.89	23
20	Arizona	107,152	33.9	3.00	21.39	8	8.04	7
21	Nebraska	65,269	33.6	2.00	22.71	7	7.38	10
22	Nevada	34,527	33.4	3.00	25.41	6	7.23	12
23	New Mexico	71,647	33.0	4.00	17.65	18	7.21	13
24	North Dakota	33,298	32.8	3.00	17.76	17	6.98	14
25	Arkansas	92,783	32.0	3.00	15.37	23	7.49	9
26	Connecticut	158,826	31.8	5.00	10.74	36	2.74	39
27	Iowa	159,875	31.8	3.00	19.39	12	6.23	18
28	Utah	58,386	31.8	4.00	14.12	27	5.47	25
29	Kentucky	158,610	31.1	5.00	9.82	39	4.10	33
30	California	1,390,954	29.8	4.00	18.09	16	4.95	29
31	Colorado	107,473	29.8	3.00	17.49	19	5.79	24
32	South Carolina	123,040	29.8	4.00	11.43	34	5.35	26
33	Idaho	35,127	25.7	3.00	16.61	21	6.51	15
34	New Jersey	238,292	25.0	3.00	11.22	35	3.09	40
35	North Carolina	217,552	24.1	3.00	14.12	26	5.91	22
36	Louisiana	152,229	20.6	2.00	20.40	10	8.46	6
37	Maryland	145,847	19.4	4.00	9.71	40	2.89	37
38	Texas	279,659	19.4	3.25	7.84	43	2.89	38
39	Oklahoma	79,541	18.6	2.00	15.79	22	6.03	20
40	Virginia	115,950	15.8	3.00	8.41	42	3.04	42
41	New York	630,912	14.2	3.00	11.61	33	3.05	41
42	Massachusetts	145,112	14.0	3.00	8.90	41	2.52	43
43	Minnesota	113,078	13.9	3.00	10.34	38	3.38	35
44	Wisconsin	106,816	10.8	4.00	6.34	44	2.02	44
45	Vermont	-------	----	3.00	-----	45	----	45
Average			31.8		16.48		5.86	

Source: Compendium of State Government Finances (U.S. Department of Commerce, Bureau of the Census, 1968), Table 7, p. 20

The decision not to tax food and drugs purchased under a retail sales tax is laudable in principle. In a state where the opportunity to produce food within the family varies, as it does in Montana, low-income rural families who grow their own food and must spend most of their incomes for taxable items are at a disadvantage to their urban counterparts who spend most of their income for tax-free food. Low-income rural families may spend considerably more of their incomes for taxable items, such as clothing. The inequities resulting from the exclusion of food from the tax base and the erosion of the tax base which results are strong arguments against excluding purchases of food from the base of a retail sales tax. Of course, there are methods of offsetting the tax paid on food and drugs, such as income tax credits for each dependent.

Economic Efficiency

The most important effects of retail sales taxes on economic efficiency arise in conjunction with taxation of business purchases. In following the component part or ingredient rule, most states include in the sales tax base such items as business machinery and equipment purchases which include furniture, fixtures, tools, and supplies. Such business purchases do not qualify for exemption because they are not for resale and do not become directly embodied in the products produced.

There are two adverse effects to taxation of business purchases. First, the business firm will attempt to raise the price of final output to reflect the increases in costs to them of equipment needed for production by virtue of the sales tax levy. To the extent that the tax is shifted forward to the consumer, tax pyramiding results. The price of the product has increased and the final consumer of the product pays a tax on the retail price which includes part of the tax paid by the business firm. The consumer is therefore paying a tax on a tax. Second, a sales tax on equipment and supplies raises the price of capital to business firms. In a market economy maximum efficiency is achieved when business firms have adjusted their use of productive inputs so they can produce the desired output at the lowest possible cost. But the imposition of a sales tax on some productive inputs distorts relative costs and encourages avoidance of the use of these inputs that are taxed. Thus, sales taxes on business purchases are incompatible with achievement of maximum economic efficiency in a competitive market price system. They also retard development and modernization of industries which rely on taxed inputs in this productive process.

The extent of taxation of business purchases in a retail sales tax is difficult to determine. Further, the final resting place of sales taxes levied on business purchases is very difficult to identify. However, some evidence of the role of the contribution of business purchases in sales tax bases has been developed. Morgan has provided probably the most useful information on the subject that is of interest in designing a sales tax.[2] Morgan states:

> If a state employs a strict component-part convention and grants no reduction in rates for business items taxed under that convention, the business portion will probably yield about a third of total receipts from the sales tax. If a state operates under a very liberal direct-use convention, such as this, only 10 percent or so will come from the business portion. The percentage of total yield from the business portion for most states is apt to fall between 15 and 25 percent. The percentage is affected, of course, by what is taxed under the household sector of the given sales tax, such as whether it taxes food, tobacco products, services, etc.[3]

Thus, if a sales tax were adopted in Montana, business purchases may be expected to constitute from 10 percent to 25 percent of the base depending on whether the law employed a component-part convention or direct-use convention.

A retail sales tax applied to farm equipment and supplies presents many of the same problems associated with the taxation of other business inputs. It is discussed separately here because of additional factors unique to an agrarian state.

Farms operating as business enterprises regard the purchase of farm equipment and supplies in the same manner as manufacturers regard the purchase of durable goods and supplies. The artificial reallocation of resources which results from taxing durable goods also results from taxing farm equipment. Tax pyramiding is less likely to occur, however, because the market for farm products is nationally determined and the burden of a state sales tax will more than likely be born by the producer rather than the consumer.

A basic objection to including farm equipment in a retail sales tax base involves family farms. Family farms, as other family businesses, are maintained as business enterprises. However, the main purpose of a family farm is to provide a source of income to the families owning and operating them. The farm, in the mind of the owner, is a source of family income much as a steady job is a source of income to wage-earning urban families. The important difference between the two sources of income is that the farm family must maintain a considerable amount of capital equipment to insure the present and future flow of its income stream. A wage-earning urban family does not personally have to absorb the impact of capital purchases to maintain its source of income. The inclusion of farm equipment and supplies in the base of the retail sales tax creates inequities between farm and wage-earning urban families because of the difference between the source of income of the two. Farm families are taxed directly on the capital equipment necessary to maintain their income. Urban families and others who do not have the responsibility for maintaining the capital equipment associated with their production escape this tax.

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[2] Daniel C. Morgan, Jr., Retail Sales Tax--An Appraisal of New Issues, (The University of Wisconsin Press, 1964).

[3] *Ibid.*, p. 27

Special exemptions by law are granted in states exempting agricultural inputs because the component part or ingredient rule is particularly difficult to apply to agriculture. These special provisions result in preferential treatment of agriculture as opposed to other business. To correct the relative position of agricultural and nonagricultural firms, it may be expedient to liberalize exemptions allowed nonfarm firms.

All states with sales taxes also employ a use tax provision. Use tax provisions are intended to supplement the sales tax in each state. Use taxes are designed to cover purchases of items outside the state and brought into the state by the purchaser. The coverage of use taxes is intended to be the same as the sales tax so there is no theoretical advantage to purchases out-of-state. For some items, enforcement of use taxes is a relatively simple matter because of licensing. This is true in the case of vehicles. However, the coverage of use taxes in practice on household goods is severely limited because of enforcement problems.

Simplicity of the Sales Tax

A retail sales tax is cheaper to administer than any other broad-based tax. Collections are made by retail establishments on the basis of their sales, and remitted to the government collection agency at almost no cost to the government. The administrative cost of a sales tax to government is mainly comprised of an auditing agency to insure that tax avoidance is kept at a minimum. Some states allow vendor discounts to offset the cost of collection. Studies show that states employing rigorous enforcement procedures have administrative costs of up to 2 percent of the revenue obtained from a retail sales tax. Those with less complex administrative structures probably experience more tax evasion but their administrative costs are as low as 1 percent of sales tax revenue. In contrast, the 1966 Montana tax study estimated the administrative cost of the Montana income tax to be 2.1 percent of revenue collected, the administrative cost of property taxes to be 2 percent of revenue collected, and the administrative cost of the personal property tax to be 8 percent of revenue collected. The compliance costs of a sales tax are lower than those of the income tax and possibly the property tax since fewer individuals are involved in keeping records, completing tax forms, and remitting money to the government. While the time spent by operators of retail establishments may be significant, their total time spent is undoubtedly less than the time taken by all income earners to compute and file their income tax returns. In addition, the sales tax provides fewer opportunities for tax evasion or avoidance; certainly, less than taxes on income and personal and intangible property.

A sales tax is much less complex than other taxes involving large numbers of taxpayers. Additionally, there is much flexibility in designing simplicity into a sales tax. For the taxpayer there are no forms to fill out and no questions of complex law to have clarified. The taxpayer simply pays the tax due on purchases subject to the tax at the time of purchase. This simplicity disappears as taxes become confined to fewer commodities.

Revenue Potential of a Montana Sales Tax

Lack of a statute to follow and lack of suitable data makes it impossible to estimate the revenue from a retail sales tax in Montana with a high degree of confidence. However, serviceable estimates can be made. Furthermore, it is possible to make estimates of the effect of exemptions and exclusions on sales tax revenue from a sales tax.

Our approach to making sales tax revenue estimates for Montana involves estimation of the sales tax base of individual groups of items potentially included and excluded from the tax.[4] There are three major groups of transactions--retail sales, purchases of services, and purchases of producer's durable equipment--which are involved to one degree or another in sales taxation. These major groups of transactions can be subdivided into smaller categories and further divided into subcategories of transactions. Projections were made for three major groups of transactions and those totals were divided among nearly 100 subcategories of items. This procedure allows inclusion and exclusion of particular items and determination of the revenue impact of such inclusions and exclusions.

Based on the preceding discussion of revenue possibilities and possible exclusions from a retail sales tax base, the following estimates are presented for a Montana retail sales tax. These estimates represent the sales tax revenue in Montana if Montana adopted a sales tax containing the provisions of tax laws of the majority of sales tax states. Subsequent to the estimates of revenue from a "typical" sales tax, estimates of the base and revenue of major items which may be subject to discussions about inclusion or exclusion are presented.

Table 14.5 shows that the revenue potential of a retail sales tax in Montana is large. According to these estimates, the representative sales tax base for Montana would lie between \$1.4 billion and \$1.6 billion in each year of the next two biennia. A sales tax at the typical rate of 3 percent would yield \$86.4 million in the 1971-73 biennium and \$94.6 million in the 1973-75 biennium.

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4. See Samuel B. Chase, Jr., William D. Diehl, and Peter Formuzis, Jr., Montana Business Quarterly, Vol. 6, No. 4 (Missoula, Montana; Bureau of Business and Economic Research, University of Montana, Fall 1968), pp. 41-64.

TABLE 14.5

Base and Revenue, "Typical" 3 Percent Sales Tax Applied in Montana Fiscal Years 1972 to 1975

Millions of Dollars

	Tax Base						Tax Revenue					
Retail Sales Categories	1971-72	1972-73	1973-74	1974-75	1971-73 (Total)	1973-75 (Total)	1971-72	1972-73	1973-74	1974-75	1971-73 (Total)	1973-75 (Total)
Building Materials, Hardware, Farm Equipment Stores	151.9	158.6	165.7	173.3	310.5	339.0	4.6	4.8	5.0	5.2	9.4	10.2
General Merchandise Stores	124.7	130.2	136.1	142.3	254.9	278.4	3.7	3.9	4.1	4.3	7.6	8.4
Food Stores	294.0	306.9	320.7	335.2	600.9	655.9	8.8	9.2	9.6	10.1	18.0	19.7
Auto Dealers	274.2	286.2	299.1	312.7	560.4	611.8	8.2	8.6	9.0	9.4	16.8	18.4
Gasoline Service Stations[1]	24.7	25.8	26.9	28.2	50.5	55.1	0.7	0.8	0.8	0.8	1.5	1.6
Apparel and Accessory Stores	55.6	58.0	60.6	63.4	113.6	124.0	1.7	1.7	1.8	1.9	3.4	3.7
Furniture, Home Furnishing, and Equipment Stores	50.6	52.9	55.2	57.8	103.5	113.0	1.5	1.6	1.7	1.7	3.1	3.4
Eating and Drinking Places[2]	113.6	118.6	124.0	129.6	232.2	253.6	3.4	3.6	3.7	3.9	7.0	7.3
Drug Stores and Proprietory Stores	34.6	36.1	37.7	39.4	70.7	77.1	1.0	1.1	1.1	1.2	2.1	2.3
Miscellaneous Retail Stores[3]	95.1	99.3	103.7	108.5	194.4	212.2	2.9	3.0	3.1	3.3	5.9	6.4
Nonretail Stores	16.1	16.8	17.5	18.3	32.9	35.8	0.5	0.5	0.5	0.5	1.0	1.0
Selected Service Categories												
Hotels, Motels, Tourist Courts and Camps	37.5	39.5	39.2	41.2	77.0	80.4	1.1	1.1	1.2	1.2	2.2	2.4
Motion Pictures	5.5	5.9	5.8	6.2	11.4	12.0	0.2	0.2	0.2	0.2	0.4	0.4
Telephone Services	39.6	41.8	44.0	46.5	81.4	90.5	1.2	1.3	1.3	1.4	2.5	2.4
Producer's Durable Goods[4]	90.6	97.1	104.0	111.5	187.7	215.5	2.7	2.9	3.1	3.3	5.6	6.4
Total--All Groups	1,408.3	1,473.6	1,540.3	1,614.0	2,881.9	3,154.3	42.2	44.2	46.2	48.4	86.4	94.6

Source: Montana Fiscal Affairs Study.

Note: Details may not add to totals because of rounding. In multiplying 3 percent times the tax base of each item, the answer was rounded to avoid the implication that the estimates are accurate to the thousands of dollars.

1. Motor fuel excluded.

2. Alcholic beverages sold over the bar are included.

3. Liquor sold by state liquor stores (package liquor is included; hay, feed, grain are excluded).

4. This category includes fabricated metal products, engines and turbines, construction machinery, mining and oil field machinery, trucks, buses, and truck trailers, railroad equipment, instruments, and miscellaneous equipment.

Table 14.6 was prepared to show the impact of exempting various items from the tax base. If food, farm equipment, producers' durables, package liquor, and cigarettes were excluded from the sales tax base in Montana, the base would be about 68 percent of the typical sales tax base. The base would range from 966.6 million in 1971-72 to 1103.4 million in 1974-75. A sales tax at 3 percent would yield 59.3 million in the 1971-73 biennium and $64.7 million in the 1973-75 biennium.

TABLE 14.6

Sales Tax Base and Sales Tax Revenue of Selected Items
Fiscal Years 1971 to 1975

Millions of Dollars

	Tax Base					
	1971-72	1972-73	1973-74	1974-75	1971-73 (Total)	1973-75 (Total)
Total (typical)[1]	1,408.3	1,473.6	1,540.3	1,614.0	2,881.9	3,154.3
Exclude:						
Food	235.2	245.5	256.6	268.2	480.7	524.8
Farm Equipment	58.2	60.7	63.5	66.4	118.9	129.9
Producer's Durables	90.6	97.1	104.0	111.5	187.7	215.5
Liquor	31.6	33.1	34.8	36.5	64.7	71.3
Cigarettes	26.1	26.7	27.4	28.0	52.8	55.4
Net[2]	966.6	1,010.5	1,054.0	1,103.4	1,977.1	2,157.4

	Tax Revenue					
	1971-72	1972-73	1973-74	1974-75	1971-73 (Total)	1973-75 (Total)
Total (typical)[1]	42.2	44.2	46.2	48.4	86.4	94.6
Exclude:						
Food	7.1	7.4	7.7	8.0	14.5	15.7
Farm Equipment	1.7	1.8	1.9	2.0	3.5	3.9
Producer's Durables	2.7	2.9	3.1	3.3	5.6	6.4
Liquor	1.0	1.0	1.0	1.1	2.0	2.1
Cigarettes	.8	.8	.8	.9	1.6	1.7
Net[2]	29.0	30.3	31.6	33.1	59.3	64.7

1. See Table 14.5

2. Base and revenue from a typical sales tax minus selected items.

APPENDIX TO CHAPTER 14

PROJECTION METHODS AND ASSUMPTIONS

The procedure used in arriving at estimates of the tax revenue to be obtained from a state retail sales tax in Montana is rather involved. For this reason the estimating and projecting procedures were not discussed in the text but are presented here for those interested.

Projections of the retail sales tax base involved the projection of:

1. Total retail sales;

2. Gross receipts of selected service establishments;

3. Sales of producer durable goods; and

4. Gross receipts of telephone companies.

Each component was projected separately. Necessary adjustments were made to these projections and then the components were totaled to yield the retail sales tax base for each year.

Total Retail Sales

Total retail sales were projected on the basis of the historical relationship between retail sales and personal income in Montana. With thirteen observations of retail sales and personal income between 1956 and 1968, a linear regression of retail sales on personal income was computed. The resulting equation had a R^2 of .985, indicating that 98 percent of the variation in retail sales could be explained by variations in personal income. This equation was used to project retail sales to 1975 Personal income in constant dollars was estimated to be $2,451.9 million in 1975 by the National Planning Association. A straight line interpolation between 1975 and 1968 was used to derive estimated personal income for Montana for the years 1969 to 1974. The same rate of inflation was used in these projections as was used in the chapter on revenue and expenditure projections. Estimated retail sales were then adjusted for the exemptions from the tax base used in each estimate of sales tax revenue.

Selected Services

The relationship between gross receipts of selected services and personal income was used to project this component of a retail sales tax base. Data for selected services in Montana were available for 1958, 1963, and 1967. Gross receipts of selected services amounted to 6.0 percent of personal income in 1958, 6.3 percent in 1963, and 5.7 percent in 1967. For lack of a better estimate, the average of these three percentages, 6.0 percent, was used as a basis for projecting gross receipts from selected services. This percentage was applied to personal income for each year from 1969 to 1975 to arrive at estimated gross receipts of selected services for each year. These figures were then adjusted to reflect exclusions from the base for each revenue estimate presented.

Private Purchases of Producers' Durable Equipment

Very little data was available to form the basis of projecting purchases of producers' durable equipment for Montana. Information on industrial supplies sold in Montana as a percent of United States sales was available for the period 1962 to 1967. Total United States purchases of producers' durable equipment was also available for these years. These figures were used to estimate purchases of producers' durable equipment for Montana for each year from 1962 to 1967. The average annual percentage rate of growth in this estimate, from 1962 to 1967, was used to project purchases of producers' durable equipment for Montana. This growth rate was 7.16 percent per year.

Telephone Gross Receipts

Telephone company gross receipts for Montana from 1961 to 1968 were obtained. Projections of the telephone company gross receipts were based on the average annual percentage rate of growth over this period. The growth rate was 5.5 percent.

CHAPTER 15 GROSS RECEIPTS TAXATION

CHAPTER 15

GROSS RECEIPTS TAXATION

Introduction

A gross receipts tax in its purest form is a tax levied against the receipts of every sales transaction. The primary distinction between gross receipts taxes and sales taxes lies in the fact that sales taxes are separately stated and collected from the purchaser. Gross receipts taxes are not separately stated and collected but rather are considered a cost of the business not associated with a particular transaction. Hence, gross receipts taxes are not considered consumer taxes.

The states imposing general gross receipts taxes have turned to this form of taxation for primarily two reasons. These reasons constitute special circumstances. They have turned to gross receipts taxation because: (1) another tax is preferred but cannot be effectuated; and (2) gross receipts taxes may be imposed competitively and lucratively on the exports of business in the taxing state.

In the first instance, both Indiana and Washington were faced with the unconstitutionality of corporate income taxes and unusually strong opposition to sales taxation. Unconstitutionality of a tax on oil and gas producers in the face of strong sentiment for heavier taxation of extractive natural resource industries in West Virginia resulted in imposition of a gross receipts tax. Hawaii, a heavy exporter of sugar and pineapple, found the gross receipts tax a convenient way to exact tax revenues from these major industries. However, as Hawaii's competitive position has lost ground in world markets, the gross receipts tax rates have come down. Mississippi enacted a gross receipts tax in 1930 without compelling reasons. Shortly thereafter, the gross receipts tax aspects were whittled away and in 1932 the retail portion became a sales tax. The tax was lifted from manufacturing activities and all production of natural resorces except mining, and finally the gross receipts tax in Mississippi was restricted to the last wholesale sale.

Interstate Comparison of Gross Receipts Taxes

Only seven states impose general gross receipts taxes. These states are Alaska, Delaware, Hawaii, Indiana, Mississippi, Washington, and West Virginia.

Washington and West Virginia impose broad-based levies on the privilege of engaging in various business activities within the states and are considered to be primarily imposed in place of an income tax. Being broadly based and imposed on numerous business functions, they tend to be multistage taxes, in the sense that the taxes are imposed at more than one level in the production and distribution process. Both Washington and West Virginia rely heavily on these taxes as revenue producers.

The Alaska business license tax is a rather rudimentary gross receipts tax. A number of businesses are exempt, either because they are subject to other business taxes, or because they are favored, or because of a desire by the state to avoid multistage taxation. The result is largely a single-stage tax at the retail level. The rate structure is graduated according to total receipts and is nearly uniform for all types of businesses covered. In Alaska the gross receipts tax is not a major source of revenue.

Unlike other gross receipts taxes, which are on the privilege of doing business, the Indiana tax is on the privilege of earning gross income. Multistage features and breadth of coverage exist in the Indiana tax similar to those of the taxes in Washington and West Virginia. The different privilege subject to the Indiana tax, however, results in a few variations from other taxes. For example, the Indiana levy shows a greater inclusiveness, that is, business taxpayers included in their tax base such nonbusiness receipts as those from the sale of capital assets and from the sale of treasury stock. Corporate and personal income taxes and a sales and use tax were enacted in Indiana in 1963. Breadth of coverage of the gross receipts tax was reduced but without altering its basic feature as a tax on the privilege of earning gross income. The removal of most of the broad classes of taxpayers has resulted in a tax imposed primarily on corporations whose liability under the gross receipts tax exceeds their liability under the net income tax.

The Delaware manufacturers' and merchants' license taxes and the Louisiana occupational license tax are two rather different gross receipts taxes. Delaware taxes are imposed on only six categories of businesses. The Louisiana tax is imposed on numerous classes, each with its own rate scheme, and is basically a gross receipts variation of the general business license levy often based on flat fees or other nonreceipts measures. Both the Delaware and Louisiana taxes are oriented to the location of business activity and require a license for each place of business. The gross receipts taxes in Delaware and Louisiana are of minor revenue importance.

Gross receipts taxes imposed in Hawaii and Mississippi on retailers are not distinguishable from other sales taxes since the tax is separately stated and collected from the purchaser. As imposed at the wholesale level, the buyer from whom the tax is collected upon a wholesale purchase does not, when reselling his purchase, customarily separately state and collect the tax paid by him. Thus, the tax on the wholesale purchase is also in effect, which is a tax on retailers collected by wholesalers. The retailer is faced with the problem of absorption of the tax as is the business subjected to other taxes classified as gross receipts taxes.

Although only seven states impose a general gross receipts tax, this form of taxation is used much more frequently as a tax on particular industries. One of the most common gross receipts levies is the severance tax, which is imposed by many states on the extraction of mineral resources. Many severance taxes are based directly on the dollar amount of gross receipts. Others are based on some sort of material quantity and are thus very closely connected to gross receipts. The metal mines tax and oil production tax in Montana are examples of special gross receipts taxes. Other special gross receipts taxes in Montana are the electrical energy tax, the telephone gross receipts tax, the insurance premium tax, and the oil production license tax.

The significance of revenue from gross receipts taxation in those states imposing it is difficult to separate from other taxes. It is difficult to isolate the revenue attributable to gross receipts levies and revenue from general retail sales taxes. Table 15.1 shows the amount of revenue collected from gross receipts taxes and the percentage gross receipts levies make up of total state tax collections in the seven states. Note the importance of the gross receipts levies in Hawaii and Mississippi. Hawaii also imposes its tax on all other levels in the production and distribution process. But the tax imposed on the privilege of production is not customarily separately stated and collected. For both Hawaii and Mississippi the gross receipts taxes are high revenue producers.

Gross receipts tax bases are generally modified by means of exemptions, deductions, and exclusions. The differences between these terms are administrative in nature. Exempt persons and firms generally need not file a return. Exclusions consist of gross receipts which are not reported on the return of a reporting person. Deductions are reported but not taxed.

Exemptions are generally granted to industries whose growth or preservation is considered desirable. Alaska grants exemptions to encourage the growth of the pulp and paper industry.

Deductions and exclusions are allowed for items which are not regarded as part of gross receipts. These frequently include cash discounts, bad debts, value of trade-ins, sales refunds, some freight charges, and sales and excise taxes collected. Hawaii and Washington exempt receipts from investments; Hawaii, Washington, and West Virginia allow a deduction for freight charges on products shipped out of the state. Receipts from casual sales, such as the sale of a capital asset, are usually excluded from gross receipts.

Because of the large base associated with general gross receipts taxation, the rates are generally low. A comprehensive study of gross receipts taxation draws the conclusion that over the years, the maximum tolerable rate of gross receipts taxation for wholesalers, retailers, and manufacturers has been about .50 percent.[1] As rates increase beyond

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1. "Gross Receipts Taxes," in U.S. Congress, Committee on the Judiciary, State Taxation of Interstate Commerce (1964), Vol. 3, pp. 1009-1114.

TABLE 15.1

Gross Receipts Tax Collections and Their Percentage Contribution to Total Tax Collections of States Imposing Them in 1968

State	Collections of Gross Receipts Tax	Collections of Total Taxes	Gross Receipts as Percent of Total Taxes
	(000)	(000)	(Percent)
Alaska	$ 3,848	$ 60,402	6.4
Delaware	2,017	144,789	1.4
Hawaii	114,360	242,655	47.1
Indiana	135,730	819,152	16.6
Mississippi	135,957	322,520	42.2
Washington	98,623	878,644	11.2
West Virginia	82,531	320,576	25.7
Total	$573,066	$2,788,738	20.5*

Source: State Tax Collections in 1968 (U.S. Department of Commerce, Bureau of the Census, 1968).

* Average.

this figure, they tend to become more like a sales tax since businesses tend to begin stating them separately in an attempt to pass them on to consumers. Also, increasing pressures on legislatures arise to reduce the rates.

The rates used in the states employing gross receipts taxes are shown in Table 15.2. State gross receipts tax rate structures are specified by type of business or industry. Special provisions are also enumerated in Table 15.2.

Because of the breadth of gross receipts taxes and their multistage application, a single rate applied to all businesses has been considered inappropriate. Table 15.2 shows that of the states listed, West Virginia is most committed to a rate differentiation policy with twenty-two separate business classifications with separate rates. Washington now uses twenty separate business classifications, Mississippi uses nineteen business categories, and Hawaii and Indiana use ten business categories each. West Virginia levies the highest rate on gross receipts of any of the states exacting 7.85 percent the gross receipts of companies producing natural gas. Mississippi employs the most uniformly high gross receipts tax rates using 5.0 percent in nine of the nineteen business categories.

Economic Aspects of Gross Receipts Taxation

One of the most pervasive economic aspects of gross receipts taxation is that, because the tax is legally defined as part of the general costs of a firm not identified with any particular sales transactions, firms are faced with the task of avoiding absorption of the tax out of profits. However, legal definitions of tax burden do not necessarily constitute actual tax burden when market forces are operative. Under certain market conditions, business firms can pass taxes forward to purchasers of their products or backward to labor and other inputs in the production process. Under these conditions, the firm (defined as capital in this case) does not bear the burden of the tax. If the market conditions are such that there is little or no change in the quantity demanded of the firm's product when the price changes, the firm is able to pass the gross receipts tax levy on to purchasers of his product. On the other hand, if the amount demanded of a firm's product is highly responsive to price changes, the firm is less able to pass the levy forward to consumers.

Backward shifting, i.e., shifting of the gross receipts levy back to productive agents such as labor, occurs when the firm is able to reduce the price paid for those productive agents. A gross receipts tax levy is dependent upon the level of output of the firm. The revenue from each unit of output of the firm is less after the tax levy than it would have been before the tax. Demand for productive agents is thus reduced because of the tax levy. If the price of productive agents is highly responsive to the quantity of these agents demanded, the firm can successfully pass the levy backward to the productive inputs. However, if the price of productive inputs is fixed, i.e., not responsive to the quantity demanded, no backward shifting will result.

TABLE 15.2

Rates and Provisions of Seven States' Gross Receipts Taxes

Alaska Business License (Gross Receipts) Tax

The rate is an initial license fee of $25 plus .50 percent of gross receipts in excess of $20,000 but less than $100,000. Gross receipts in excess of $100,000 are taxed at the rate of .25 percent. Fees paid by professional people to their professional boards are credited against the initial fee.

Delaware Manufacturers License Tax

The fee is $30 per year plus 1/10 of 1 percent of gross receipts.

Delaware Merchants License Tax

Industry	Percent Rate
Wholesalers	.20
Food Processors	.10
Grain and Feed Dealers	.05
Farm Machinery Retailers	.05
Retailers	.80
Restaurants	.10

Note: There is an annual fee of $30 plus the above rates applied to gross receipts.

With the exception of restaurants, the basis is actually the purchase price of all goods purchased.

Hawaii General Excise Tax

Industry	Percent Rate
Manufacturers and Processors	.5
Sellers of Tangible Personal Property Except Retailers and Wholesalers	1.5
Wholesalers (including many services)	.5
Agricultural Industries	.5
Contracting	4.0
Amusements	4.0
Sales Representatives	4.0
General Retailers	4.0
Insurance Solicitors	2.0
Services	4.0

Indiana Gross Income Tax

Industry	Percent Rate
Display Advertising	.5
Wholesalers and Jobbers	.5
Grocery Wholesalers	2.0
Retailers	.5
Dry Cleaning and Laundering	.5
Public Utilities	2.0
Banks, Etc.	2.0
Insurance Carriers	2.0
Grain Handlers	2.0
All Other Income	2.0

Note: These rates are not always applied to gross receipts. In many instances they are applied to gross earnings or gross receipts less purchases.

Mississippi Occupational Sales Tax

Industry	Percent Rate
Retail of Tangible Personal Property	5.000
Retail of Farm Tractors to Farmers	1.000
Retail of Automobiles, Trucks, Aircrafts	3.000
Wholesale of Tangible Personal Property	.125
Wholesale of Meat for Human Consumption	.500
Wholesale of Motor Fuels to Retailers	5.000
Wholesale of Beer, Soft Drinks, Syrups	5.000
Mining or Producing Minerals	5.000
Wholesale of Liquor	5.000
Retail of Liquor	5.000
Household Fuel and Water	5.000
Industrial Fuel	1.000
Transportation Except Taxi	5.000
Taxicabs	2.000
Contracting	2.500
Sales of Manufacturing Machinery	1.000
Sales of Materials for Railroad Roadbed	3.000
Sales to Electric Power Associations	1.000
Miscellaneous	5.000

Washington Business and Occupation Tax

Industry	Percent Rate
Mining, Lumbering, and Fishing	.440
Flour Millers	.125
Manufacturers	.440
Retailers	.440
Wholesalers	.440
Splitting or Processing Dried Peas	.250
Slaughtering, Processing, and Wholesaling Meat	.330
Wholesale of Wheat, Oat, Corn, Barley, Etc.	.010
Cigarette Wholesalers	.176
Seafood Manufacturers	.330
Canners of Fresh Fruits and Vegetables, Etc.	.300
Manufacturers of Aluminum	.400
Nonprofit Research and Development Corporations	.440
Newspapers and Magazines	.440
Building and Repairing Streets, Bridges, Etc.	.440
Extracting or Processing for Hire	.440
Cold Storage Warehouse	.440
Fire and Casualty General Agents	.440
Broadcasting	.440
Miscellaneous	1.000

West Virginia Occupational Gross Income Tax

Industry	Percent Rate
Coal	1.35
Limestone	2.00
Oil	3.95
Natural Gas	7.85
Blast Furnace Slag	3.95
Mineral Products	3.95
Timber	2.00
Other Natural Resources	2.60
Manufacturing	.80
Wholesaling of Tangible Personal Property	.25
Other Selling of Tangible Personal Property	.50
Street, Interurban, and Electric Railways	1.30
Water Companies	4.00
Electricity for Domestic Use and Commercial Lighting	5.20
Electricity for Other Purposes	3.90
Toll Bridge Companies	3.90
Other Public Utilities (with exceptions)	2.60
Contracting	2.00
Amusements	.65
Service Businesses (including professions)	1.05
Leasing or Furnishing Real or Tangible Personal Property	1.05
Small Loan or Industrial Loan Business	1.05

Source: All States Tax Guide (Commerce Clearing House, as revised prior to November 30, 1969).

Note: Some care must be taken in reading them as the description given here is not complete. This is most noticeable in the case of Indiana where many of the rates given are applied to gross profit rather than gross receipts. Further detail may be found in the source.

Absorption by the firm of the gross receipts tax levy will result when consumers markedly reduce the quantity demanded of a firm's product due to a price increase and when the price of productive agents remains constant in spite of a reduction in the demand for productive agents. In this case, it is said that capital or the owners of the firm bear the burden of the tax on gross receipts.

Any combination of the above market conditions can exist in reality. It is beyond the scope of this study to determine the conditions existing in markets served by industries that would be subject to a gross receipts tax if enacted. In spite of our inability at this time to undertake the highly complex research to make these determinations, one substantive conclusion can be drawn. The levy of a gross receipts tax will affect prices of products and prices of productive inputs and such a levy will change the pattern of relative prices from their situation before the levy was enacted. Such changes in relative prices disturb the most economically efficient use of resources and results in a lower level of economic activity that would otherwise be the case. Because the gross receipts tax is a multistage tax, it favors the highly intergrated firms at the expense of the more specialized unintegrated firms. Additionally, there would be differences in the final resting place of the tax as between firms engaged in production for foreign (out-of-state) markets and firms producing solely for in-state markets. The incidence of a gross receipts tax is highly likely to be much different over the long run than it would also be in the short run. A gross receipts tax will discriminate heavily against products for which most of their value is created early in the chain of processes which they go through in nonintegrated firms because early-stage values added are separated in sales in later stages.

In addition to the broad questions of the effect of gross receipts taxes on economic efficiency, there are criticisms which have emerged within the same context but relating to more specific examples. Some of these criticisms have persisted and attempts to alleviate the defects of gross receipts taxes have resulted.

Criticisms of Gross Receipts Taxes Arising Out of Actual Experience

The use of gross receipts taxation has been defended on the ground that it is a very efficient, reliable way to tax business. The simplicity of its basis makes it easy to comply with and easy to administer, and it can be imposed in place of several taxes, producing high yield with low rates because of its broad base. In addition, in times of recession it assures the state a more stable source of revenue than does the income tax. Also, to those who adhere to a general benefit theory of business taxation, the gross receipts tax accomplishes the objective of business taxation more nearly than does the income tax by requiring all businesses which benefit from governmental services to contribute to the support of those services, regardless of the profit position.

There has been a long and persistent criticism of the gross receipts tax as an unsatisfactory method of business taxation. The primary criticism has been that the burden of the gross receipts tax falls indiscriminately and unfairly. However, part of the theory of gross receipts taxation is that the burden should so fall but that the tax burden is tollerable only when the rates are very low. It has been charged that since with few exceptions the rates are not very low, it is contended that the tax is economically oppressive.

Although in many instances the tax can be wholly shifted by the business paying it in higher prices or in lower wages or costs of materials, very often it must be partially or completely absorbed. That it is often absorbed to varying extents is well accepted. For these businesses, the tax absorbed can considerably reduce profits. For example, a fairly profitable firm netting $5.00 for every $100.00 in receipts and paying a tax of one-half of 1 percent of gross receipts will have its net profits before income taxes are paid, reduced by 10 percent by the gross receipts tax. Also consider a firm which nets only $1.00 for each $100.00 of gross receipts and must absorb a one-half of 1 percent gross receipts tax levy. The profits of this firm will be reduced by 50 percent.

The gross receipts tax does more harm than drive some marginal enterprises out of business. It favors the large and established firms and, thus, inhibits competition. The reasons are as follows: (1) The smaller company tends to be less able to weather the impact of the gross receipts tax during its lean years than the large company; (2) The larger company has an advantage over the smaller company through its greater ability to integrate several stages of production and distribution and thus pay one tax on the final sale of a product, where the nonintegrated firm handles a product for which a tax may have been paid at each stage; (3) Entry of new businesses is hindered by the heavy impact of gross receipts taxation since new businesses typically have lower profit margins and also would tend to be in a less favorable competitive position to shift the tax; (4) That gross receipts taxation encourages integration of businesses, there is a perverse effect on competition in general; and (5) Aside from these general defects, one major inequity is that no account is taken of the variations from one business group to another in the ratio of profits to gross receipts.

Measures to Alleviate the Defects of Gross Receipts Taxes

One of the major alterations in the tax by most states is the use of different rates for different business groups.

There are several motivations for rate differential: (1) To ease the burden on low-profit-margin firms and others incapable of paying only at lower rates; (2) To reduce the effect of pyramiding by placing more of the burden at the retail level; (3) To remove the advantages integration affords by taxing retail sales by manufacturers at higher rates than retail sales by retailers; (4) To equalize the total burden on businesses typically involved in transactions taxed only once, such as services, with those engaged in businesses involving transactions taxed several times; and (5) To take advantage of the capacity of some businesses to pay more taxes.

The entire rate differentiation structure perhaps has resulted in more overall equity, but it has also led to more intricacies in the tax and has reduced one of the prime virtues of the gross receipts tax--its simplicity. It was once determined that 80 percent of the litigation over the Indiana tax involved rate differentiation, and the rate structure of the West Virginia tax has been described as complicating and hindering compliance more than any other feature of the tax. In Washington the necessity to characterize transactions and activities as retailing, or performing services, or processing for hire, or other such categories, has resulted in numerous regulations making fine distinctions.

The oft-criticized feature of favoring integrated businesses is alleviated to varying degrees by special provisions in some states. For example, in Washington and West Virginia, manufacturers and producers are taxed on the value of products make or produced by them and used or consumed in their business. Although this eliminates some of the advantages to an integrated firm, it increases the complexity of the law by requiring such distinctions as that between consumed and incorporated products and by raising problems of valuation.

Simplicity of Gross Receipts Taxes

One of the most attractive features of the gross receipts tax is the simplicity of its application. There is no need for businesses to consider the benefits and legality of complicated depreciation and inventory valuation questions. Similarly, the problem of auditing returns is greatly simplified.

The main issues at stake in determining the amount of tax owed are summarized in the following three questions: (1) Is a person constitutionally subject to taxation under the law; (2) In which categories do his transactions belong; and (3) What amount of gross receipts is taxable?

Another advantage to gross receipts taxation lies in the relatively low sensitivity of the base to economic fluctuations. A decline in the economy may sharply reduce net income because businesses have fixed and semifixed costs which must be paid regardless of the level of business. The existence of these factors in the determination of net income tend to accentuate the variations in sales as reflected in net income. Hence, the revenue obtained from a gross receipts tax is much more stable in varying economic conditions than that derived from a net income tax.

The breadth of the tax base and resultant relatively low rate of tax has the additional characteristic of reducing the potential for tax evasion. A much larger manipulation of the tax base must be made in order to secure the same savings in tax liability than is true of the net income tax with its higher rate and smaller base. This further reduces the need and expense of auditing.

There are fewer administrative problems and fewer compliance problems for the taxpayer than are posed by the income tax. The main issues for the taxpayer are: (1) is he a taxable person; (2) into what taxable category or categories does he or his transactions fall; and (3) how much of his gross receipts are taxable?

The first problem has two aspects: (1) whether there is jurisdiction over the person and (2) whether the person is exempt under the provisions of the tax. The significance of the former question is largely dependent upon the issue of the constitutional power of the state to tax the person's receipts. Uncertainties as to whether a person is in an exempt class would not appear to constitute a major problem. Exemptions are important insofar as they tend to alleviate or contribute to the typically uneven burden imposed on business by the gross receipts form of taxation.

There are three main areas of categories of persons or transactions: (1) rate categories, (2) taxation of one person more than once on the same sale under two more privileges or categories, and (3) multistage categories of taxation.

Determining the taxability of gross receipts also raises the perplexing and important problem of what gross receipts are not taxable because they are derived from interstate commerce. This problem is no different with the gross receipts tax than that encountered in corporation net income taxation. Gross receipts taxation affords no privileges in taxing interstate commerce not afforded by corporate net income taxation.

With few exceptions, general gross receipts taxes are taxes on all persons exercising the privilege of engaging in business activities other than those specifically exempted. One exception is Indiana which taxes the privilege of earning gross income. The Indiana tax is primarily restricted to corporations.

Exemptions are of four general kinds: (1) businesses which are taxed under other business privilege taxes--banks, insurance companies, and utilities; (2) businesses whose preservation and expansion the state favors as a matter of policy--farming and business qualified under industrial incentive programs; (3) persons engaged in activities considered beneficial to the state--hospitals, charities, and certain nonprofit organizations; and (4) those businesses involved in multistage taxation in some states are exempted in such a manner as to tax only one transaction.

In the 1940s there was a tendency to apply the standards of constitutionality which had evolved in regard to sales and use taxation to gross receipts taxation. More recent doctrine tends to be more inclusive of interstate commerce in state gross receipts taxation. In the case of out-shipments, a fairly clear doctrine has evolved. The case is not nearly so clear with regard to in-shipments, however. Where a state attempts to impose a gross receipts tax on goods shipped from it to another state, the imposition of the tax is invalid unless the purchaser is deemed to have entered the state and received the goods before they are transported out of the state. This in no way, however, restricts a state from imposing the tax on the production activities within the state. In this situation, receipts from products shipped out of the state may be taxed. This doctrine makes it appear that the question of constitutionality lies to a large extent on the definition of what is being taxed. A tax, measured by gross receipts, may be levied on the privilege producing goods within a state even when those goods are sold in interstate commerce. A tax may not be levied on the sale of goods in interstate commerce unless it may be construed that the purchaser has taken possession of the goods in the taxing state. The doctrine is not nearly so clear in regard to the right to impose a gross receipts tax on the receipts from goods shipped into the state. However, the trend seems to be toward increased authority to tax such sales.

When one considers a gross receipts tax, it is generally applied to all firms without regard to the type of organization. In Montana this creates a particular difficulty. Proprietorships and partnerships are not currently taxable entities. Their net income is attributable directly to the owners who report the income on their individual income tax return. The imposition of a gross receipts tax, in addition to the individual income tax, would increase the tax burden placed on these persons. If it were deemed appropriate not to levy an additional tax on these persons, business income from proprietorships and partnerships would not have to be included on individual tax returns. The revenue from the individual income tax would be significantly reduced. If the gross receipts tax is not applied to these proprietorships and partnerships, then the gross receipts tax becomes a substitute for the corporate license tax. In this case, evaluation of its merits reduces to consideration of the change in tax burdens it would bring about and the ease of administration relative to that of the corporate license tax. If it were deemed appropriate, a gross receipts levy could be enacted jointly with the corporate license tax requiring payment of one or the other, whichever is greater. Then all corporations would pay some tax as in Indiana.

If the gross receipts levy is given serious consideration, these matters should be carefully studied and methods worked out to assure the intended result.

Revenue Potential of a Montana Gross Receipts Tax

Scarcity of data on gross receipts of Montana businesses and lack of guidelines in the form of a law to follow for definitions, exclusions, deductions, and exemptions make the task of estimating the revenue from a gross receipts levy impossible with a high degree of confidence. However, estimates can be made which will reflect actual magnitudes given the appropriateness of the data and given the assumptions which must be made about the provisions of a law if enacted. We do not propose that these estimates are appropriate or valid for a gross receipts tax that might be enacted. Our estimates contain assumptions which may or may not be implied by a particular proposed bill. The estimates contained herein are made to provide information about the general magnitude of revenue to be expected from a law which would conform with our broad assumptions. They should not be used in conjunction with a particular proposal. Revenue estimates for specific proposed gross receipts tax laws must be made separately.

The most reliable data available for making gross receipts tax revenue estimates come from a study of the Montana Corporation License Tax returns filed in 1966 and data compiled by the Internal Revenue Service concerning Montana's sole proprietorships and partnerships. Our approach to making gross receipts tax revenue estimates for Montana involves estimation of the gross receipts base by industry by type of business form (corporations, sole proprietorships, partnerships) and projecting that base into the future.

Table 15.3 shows the estimates of gross receipts of all businesses in Montana by the three types of business and for twelve industry categories. Corporations realize about 63 percent of the receipts, sole proprietorships realize 32 percent of the receipts, and partnerships realize about 5 percent of the gross receipts in the state. It is interesting to note that four industries realize nearly three-fourths of the gross receipts of all businesses in the state of Montana. Total gross receipts of all business in Montana were estimated to be $5.056 billion in 1966. A flat rate tax of one-half of 1 percent would have yielded revenue amounting to $25.3 million in 1966. A gross receipts tax would have yielded about $5 million for each one-tenth of 1 percent flat rate on all gross receipts in 1966. Data in column 4 of Table 15.3 is equivalent to the amount in dollars of tax revenue in 1966 from each industry category for each one-tenth of 1 percent flat rate gross receipts tax. Column 5 shows the distribution of tax payments by each industry category in percent terms.

The largest share of a flat rate gross receipts tax would be paid by the crude oil and natural gas industry. Retail trade firms would pay the second largest share of a flat rate gross receipts tax and agriculture, forestry, and fisheries would rank third in the proportion of the gross receipts tax paid.

Because of a lack of historical data showing gross receipts and the difficulty in making the estimates initially, especially for sole proprietorships and partnerships, we were forced to use very crude projection methods. The projection method was very simple.

Total personal income in Montana was selected as the best time series related to gross receipts of businesses in Montana. Since only one year's data on gross receipts were available, the ratio of total gross receipts to total personal income was computed for 1966. Then the resulting ratio was multiplied times projected personal income. The same procedure was followed for corporation gross receipts. The difference between projected total gross receipts and projected corporation gross receipts is used as the projected gross receipts of sole proprietorships and partnerships together.

TABLE 15.3

Montana Gross Receipts of Corporations, Sole Proprietorships and Partnerships by Industry in 1966

Industry	Corporations	Sole Proprietorships	Partnerships	Total	Percent
		(Thousands of Dollars)			
Agriculture, Forestry, and Fisheries	$ 72,737	$ 705,618	$ 72,750	$ 851,105	16.8
Metal Mining	92,988	---------	---------	92,988	1.8
Crude Oil and Natural Gas	1,104,257	---------	---------	1,104,257	21.8
Other Mining	4,060	---------	---------	4,060	0+
Contract Construction	86,916	93,815	25,615	206,346	4.1
Manufacturing	678,422	---------	17,957	696,379	13.8
Utilities	287,409	15,935	---------	303,344	6.0
Wholesale Trade	193,872	44,101	15,977	253,950	5.0
Retail Trade	350,858	614,973	90,084	1,055,915	20.9
Finance Insurance and Real Estate	71,899	37,959	7,373	117,231	2.3
Services	63,217	80,470	31,343	175,030	3.5
Other	163,972	29,562	1,922	195,456	3.9
Total	$3,170,607	$1,622,433	$263,021	$5,056,061	100.0
Percent	62.7	32.1	5.2	100.0	-----

Sources: "A Statistical Analysis of Corporation Taxation in Montana," Montana Corporation License Tax, Montana Legislative Council Report No. 26 (October 1968), pp. 17-36.

Statistice of Income, 1966, Business Income Tax Returns (U.S. Treasury Department, Internal Revenue Service).

Table 15.4 shows the projected gross receipts to the year 1975. By 1972 total gross receipts of Montana business should exceed $6 billion. The growth in gross receipts resulting directly from our projection method is about $350 million per year.

During the next two biennium, the gross receipts of all Montana businesses will be about $14.1 billion and $15.7 billion. Thus, for each one-tenth of 1 percent of rate, a flat rate gross receipts tax will raise $14.1 million in the 1971-73 biennium and $15.7 million in the 1973-75 biennium.

Summary

Although gross receipts taxation has been used by states for many years, it is not a popular form of taxation. The current trend is modification of existing general gross receipts taxes to eliminate their multistage features and turn them into retail sales taxes. Experience has been that where gross receipts taxation was initially designed to be a major revenue producer and where special circumstances do not exist, they have been abandoned or curtailed.

In spite of the alleged simplicity of gross receipts taxation, criticisms of this form of taxation have led to exemptions, exclusions, deductions, and rate differentiation. The extent of these criticisms against the gross receipts tax would seem to present a serious obstacle to acceptance of it in an unadulterated form. It would seem that reforms designed to meet these criticisms and to rectify its defects cannot be taken without destroying its relative usefulness as a form of taxation.

Adoption of a gross receipts tax would raise serious issues concerning economic efficiency and economic development. These issues would center around the tax treatment of multistate and domestic firms.[2] There would be substantial shifts in the impact of business taxation among industries if a gross receipts tax were levied. Tax treatment of large firms versus small firms and high profit margin firms versus small profit margin firms would be a major issue. Another important issue that would require a solution is how a gross receipts levy would be coordinated with existing taxes on businesses and business income. Would a gross receipts levy replace the existing corporate license tax and existing special gross receipts levies? Or would it be a tax in addition to existing business levies?

It is clear from the economic doctrine concerning taxes related to the level of output of business firms that such taxes are likely to

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2. For an analysis of the shift in tax impact on multistate and domestic firms and among different industries due to enacting a gross receipts levy see "A Statistical Analysis of Corporation Taxation in Montana," Montana Corporation License Tax, Montana Legislative Council, Report No. 26 (October 1968), pp. 17-36.

TABLE 15.4

Projected Gross Receipts of Corporations, Sole Proprietorships and Partnerships and Projected Gross Receipts of All Businesses in Montana 1970 to 1975

Year	Montana Personal Income	Corporate Gross Receipts	Sole Proprietorship, and Partnership Gross Receipts	Total Gross Receipts
		(Millions of Dollars)		
1970	$2,274	$3,861	$2,294	$6,155
1971	2,401	4,077	2,423	6,500
1972	2,535	4,304	2,558	6,862
1973	2,677	4,546	2,701	7,247
1974	2,827	4,800	2,852	7,652
1975	2,985	5,069	3,012	8,081

Source: The 1975 personal income for Montana was obtained from Economic and Demographic Projections for States and Metropolitan Areas, National Planning Association, Report No. 68-R-1, 1969, p. s-34.

Notes: Personal incomes in other years were determined by a straight line interpolation between known personal income in 1969 and the projected income in 1975.

Montana corporate gross receipts are derived from multiplying personal income times 1.6975.

Montana total gross receipts are derived from multiplying personal income times 2.7066.

Montana sole proprietorship and partnership gross receipts are derived from subtracting corporate gross receipts from total gross receipts.

adversely disturb efficiency of the market (inhibit specialization) and thereby reduce the level of economic activity. This type of conclusion becomes stronger when gross receipts taxes are considered in an open economy, such as Montana, as opposed to the national economy which may be treated as a closed economy. The use of multistage gross receipts taxes are difficult to justify on any ground except, perhaps, that it will raise substantial revenue with very nominal rates.

CHAPTER 16 VALUE-ADDED TAX

CHAPTER 16

VALUE-ADDED TAX

Introduction

The concept of a value-added tax is not new. It was first proposed by T. S. Adams in 1917. There has been some recent interest in this form of taxation both at the federal level and in some states. However, examples of actual use of the value-added tax in the United States are rare.

The Michigan Business Activities Tax (BAT) was inacted by the Michigan legislature in 1953. It is the only value-added tax concept ever put into practice in the United States. The Michigan version of the value-added tax diverged quite extensively from the pure value-added concept. Michigan eliminated its version of the value-added tax from its tax structure in 1967.

During its 1967 session, the West Virginia legislature narrowly defeated a bill representing a true value-added tax. Serious consideration has been given to value-added taxation in Indiana recently.

Twelve countries in the world either have a value-added tax, or are to have it soon, or are considering such a form of taxation. The value-added tax is being instituted in the Common Market countries to establish uniform coordinated tax bases among the jurisdictions in that trade area. A comprehensive value-added tax was first imposed by Denmark in 1967. France and Germany enacted value-added taxes effective in 1968 and the Netherlands adopted a value-added tax in January of 1969. Sweden, Belgium, Luxembourg, and Italy are expected to have value-added taxes during 1970. Value-added taxes are being considered in Brazil, Greece, and Turkey. Japan has the legal framework for a value-added tax, but implementation has never been carried out.

Although no one is certain of the revenue impact of United States tax reform measures passed by the first session of the 91st Congress and fiscal 1970 spending measures are yet to be acted upon, fear of a budget deficit by administration officials has generated interest in new revenue sources for the federal government. The Presidential Task Force on Business Taxation has been considering a value-added tax on a national basis in the United States.

Value-added is the difference between sales revenue received from sales of goods and services and purchases of materials, and services used in their production. In other words, the value-added tax base is identical to the total costs of a business firm for the labor, materials, services, and capital used to produce its product or service. The value-added tax is a tax imposed on the value that a business firm adds to the goods and services it purchases from other firms. Unlike a gross receipts tax, a value-added tax does not tax value created by business firms more than once. Among the items that a firm purchases from other firms are raw materials, semimanufactured goods, goods ready for resale to consumers, services, machinery, equipment, and other capital goods. The treatment of capital goods differs depending on the type of value-added tax used. These types of value-added tax bases have been conceptually developed.

Three different bases are discussed to illustrate the alternative approaches to defining a value-added tax base. The differences between these bases do not have a very large effect on the amount of taxes collected over long periods of time. The differences generally involve items which are small in comparison to factors constituting the major part of value-added, namely, net income and payroll. These bases are denoted the net income base, the consumption base, and the gross product base. There are several variants to each of these bases which are treated by some analysts as additional types of value-added tax bases.[1] The concepts encompassed by the three bases are directly related to concepts of national income, personal consumption expenditures, and gross national product in the national income accounts used by the United States Department of Commerce. Each of the three bases can be computed for business firms using either a subtraction or addition procedure. The addition and subtraction methods for each of the three bases will yield tha same value-added for each particular type of base. We shall illustrate the nature of each type of value-added tax base by both the addition and subtraction methods.

Elements Comprising the Value-Added Tax

Table 16.1 shows the elements comprising each of the three value-added bases using the addition method. The net income base is very simple. It includes wages and salaries, interest paid to individuals, and value-added profits. The consumption base includes depreciation, sale of capital assets and excludes capital outlays and net additions to inventory in addition to items included in the net income base. The gross product base includes the same items as the net income base in addition to depreciation. Table 16.2 shows the elements of the three value-added bases using the subtraction method.

The major differences between the three types of value-added bases is their different treatment of capital equipment. The net income base excludes depreciation. The consumption base includes depreciation, but allows deduction of capital outlays. The gross product base, by including

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[1] See Carl S. Shoup, Public Finance (Chicago: Aldine Publishing Company, 1969), pp. 251-255.

TABLE 16.1

Addition Method for Computing Value Added

Net Income Base	Consumption Base	Gross Product Base
Wages and Salaries[1]	Wages and Salaries[1]	Wages and Salaries[1]
(Plus)	(Plus)	(Plus)
Interest Paid to Individuals	Interest Paid to Individuals	Interest Paid to Individuals
(Plus)	(Plus)	(Plus)
Value-Added Profits[2]	Value-Added Profits[2]	Value-Added Profits[2]
	(Plus)	(Plus)
	Depreciation	Depreciation
	(Plus)	
	Sale of Capital Assets	
	(Minus)	
	Capital Outlays	
	(Minus)	
	Net Additions to Inventory	

Source: Clara K. Sullivan, The Tax on Value Added (New York: Columbia University Press, 1965), pp. 181-212.

1. Includes supplements to wages and salaries.

2. Includes estimated profits on the owner's personal consumption of the firm's products, depletion allowances and state and local income taxes; excludes dividends received from other firms and capital gains and losses.

TABLE 16.2

Subtraction Method for Computing Value Added

Net Income Base	Consumption Base	Gross Product Base
Receipts from Net Sales, Supply of Services, Rentals, and from Interest[1]	Receipts from Net Sales, Supply of Services, Rentals, and from Interest[1]	Receipts from Net Sales, Supply of Services, Rentals, and from Interest[1]
(Plus)	(Plus)	(Plus)
Investment on Force Account[2]	Owner's Personal Consumption of Firm's Products	Capital Investment on Force Account[2]
(Plus)	(Minus)	(Plus)
Inventory Accumulation[3]	All Purchases from Other Firms[5]	Owner's Personal Consumption of Firm's Products
(Plus)		(Plus)
Owner's Personal Consumption of Firm's Products		Inventory Accumulation[3]
(Minus)		(Minus)
Purchases of Goods and Services from Other Firms on Current Account[4]		Purchases of Goods and Services from Other Firm's on Current Account[4]
(Minus)		
Depreciation		

Source: Clara K. Sullivan, The Tax on Value Added (New York: Columbia University Press, 1965), pp. 181-212.

1. Net of returns, cancellations, cash discounts, and bad debts.

2. Firm produces its own equipment. The consumption base ignores imputation of investment on force account and does not allow depreciation. The income base includes the value but allows depreciation.

3. Closing inventory minus opening inventory.

4. Includes outlays for interest and rents paid to other firms.

5. Includes capital equipment as well as current account purchases from other firms.

depreciation without allowing capital outlays deductions gradually, over time, includes capital outlays. All three value-added bases exclude purchases of goods and services from other business firms. The net income and gross product bases include net additions to inventory while the consumption base ignores inventory accumulations due to the productive activity of the firm. All three bases include the value of equipment produced by the firm's own work force and the owner's personal consumption of the firm's products.

The value-added tax is usually thought to be a tax on income originating from resources employed within a given geographical area. Thus, income produced within a state would be included in the tax base even though it was received by nonresidents, while income received by residents from factors located elsewhere would be excluded.

Value-added taxes are generally assumed to be limited to business enterprises. However, a difficult problem in defining a value-added tax is the question of what to include in the definition of business. The business sector proper, according to the Department of Commerce, comprises all organizations which produce goods and services for sale at a price intended at least to approximate costs of production. The Department of Commerce definition of business encompasses all private profit-making enterprises, mutual financial institutions, cooperatives, and nonprofit organizations servicing business. The value-added tax might include all the above business activities, but exclusions and exemptions of certain activities are often envisaged either because of different concepts of business activity or difficulty in defining the tax base for a particular industry.

Economic Aspects of Value-Added Taxation

The problem of determining who ultimately pays the tax bill of a particular tax is difficult. This difficulty is especially prevalent in cases of taxation in "open" economies which characterize states. In the case of open economies, economic doctrine is not firmly established and empirical verification is even more difficult. Empirical studies which have attempted to measure incidence have usually at best been able to identify only relative tendencies. Consequently, economists have resorted almost exclusively to theoretical considerations in order to judge the effects of a particular tax.

The unfortunate aspect of this situation is that the solution of controversy which emerges over attempts to add taxes to the tax structure or replace old taxes hinges on the incidence of those taxes. The absence of hard data to support theoretical findings on incidence is bound to lead to differences of opinion about the true state of affairs.

According to conventional economic doctrine, the value-added tax is shifted forward to ultimate consumers through a rise in prices of consumption goods. John Due's assessment of the incidence of a value-added tax is as follows:

> Regardless of the treatment of capital goods or method of application, the value-added tax is essentially a sales tax, since it will with little doubt result in an increase in prices of consumption goods.[2]

Similar conclusions have been drawn by other analysts. However, it is obvious that this conclusion is relevant for the United States as a whole under the assumption of a closed economy. Montana does not have a closed economy. Goods and services, labor, capital, and other factors move freely across Montana's borders. Additionally, Montana's economy is only a tiny fraction of the United States market in terms of sellers of products and purchasers of goods. These facts substantially alter the conclusions drawn concerning the national economy under the assumption that it is a closed economy. Therefore, Due's conclusion so widely quoted in discussions of value-added taxes does not hold, especially for Montana.

The same type of analysis of incidence used for the gross receipts tax can be used for a value-added tax in an open economy. Depending on the nature of markets in which firms sell their products and the nature of the markets in which they buy their means of production, firms either absorb the tax, pass it forward to consumers or pass it back to the means of production. Business firms subject to a value-added tax must increase selling prices or reduce prices paid to factors of production as production is cut back in face of the tax in a competitive market situation. The true situation regarding the incidence of a value-added levy lies among this set of circumstances and is likely to be different in the long-run than in the short-run. The incidence of a value-added tax will be different depending on whether the destination or origin principles are used in its levy.[3] According to Shoup, the incidence of a value-added tax is much the same as a gross receipts tax in an open economy. Of course, allowance must be made for the fact that a value-added tax does not discriminate in form of an integrated firm. Shoup concludes that if the destination principle is used, most of a value-added tax would be passed on to consumers and some would be born by factors providing wholesaling and retailing services. On the other hand, if the origin principle is used, the incidence of the value-added tax will be born by all domestic factors of production and some will be born by consumers as well. It should be noted that the analysis used by Shoup is relevant for the short-run. The long-run incidence of a value-added tax is not known.

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[2] John F. Due, "Should the Corporation Income Tax be Replaced by the Value-Added Tax?" Proceedings of the 1964 Conference of the National Tax Association (Pittsburgh: National Tax Association, 1964).

[3] The destination principle states that exports are not taxed whereas the origin principle states that imports are not taxed. Carl S. Shoup, Public Finance (Chicago: Aldine Publishing Company, 1969), Chap. 8.

The value-added tax has been justified on the basis of two major propositions. First is the benefits received doctrine of business taxation in general. The second relates to the relative merits of value-added taxation over corporate net income taxation.

The benefit theory of taxation of business enterprise rests on the reasoning that services provided by state and local governments constitute inputs, or means of production, into salable products of business much the same as do the inputs of labor, capital, and other private inputs. It is reasoned further that business should pay for these social inputs whether they make a profit or not, just as they pay for all other inputs. The value-added by each firm to the total output of the economy is a reasonable measure of the proportionate benefits each firm receives from government.

Although no tax is neutral economically, the comparative neutrality of the value-added tax with respect to the firm's inputs of resources has been advanced as justification for this approach to business taxation. Because the base of the tax is the sum of the payments to factors of production, it adds equally and proportionately to the cost of employing the different factors. It is reasoned, therefore, that the value-added tax should not alter the proportions in which capital and other factors are used. The tax on corporate net income, however, is thought to discriminate against capital and, thereby, reduce capital investment. In short, a value-added tax is thought to be the most economically neutral form of business taxation because it does not discriminate against labor-saving devices, while on the other hand, it does not favor machinery over labor and it does not favor the large vertically integrated firm.

A pervasive argument against the value-added tax is the treatment of the new, distressed, or marginal firm. The value-added tax is exacted regardless of whether a firm makes a profit. Of course, all of the arguments concerning its burden are dependent upon the shifting and incidence of a value-added tax. The proponents argue that the value-added tax requires a contribution based on resource utilization, that it avoids the objectionable relief going to the inefficient, and that it does not reduce cash flows from profits of successful firms. On the other hand, new unprofitable firms confront a heavier tax load than under the net income tax. The net income tax automatically exempts firms without net income.

Simplicity of the Value-Added Tax

The usefulness of a tax is dependent upon its adaptability to a workable administrative system and the ease of compliance by taxpayers. The problems of administration and compliance will vary with the number of taxpayers, the frequency of returns, the rate of the tax, and the difficulty of identifying taxable persons.

The number of taxpayers subject to a value-added tax depends upon whether the tax would be applied to all businesses or to corporations only. If applied to all businesses, there would be in the neighborhood of 67,000 taxpayers in Montana. In 1965 there were 56,000 sole proprietorships, 5,000 partnerships, and about 7,000 corporations in Montana. The number of returns would depend specifically upon the business types excluded and the size of a minimum administrative exemption.

The frequency with which firms would be required to file returns and payments is of extreme importance with a large number of taxpayers. The Michigan statute required quarterly returns and payments. Payments in Michigan were due by the end of the month following the last month in the quarter. Payments for the final quarter were due within four months after the close of the fiscal year. Variations exist in two respects. Agricultural firms are allowed to file annual returns without payment in advance. Other taxpayers can make an annual return if they prepay the tax at the baginning of the year in an amount equal to the amount of their taxes in the previous year.

The large base and presumed low rate of a value-added tax results in less incentive for avoidance than taxes with higher rates. Avoidance of a value-added tax would involve high cost to the taxpayer relative to the tax saving. With a low rate, adjustments in the base must be very large to get appreciable tax saving.

Identification of taxpayers under a value-added tax raises some troublesome issues, such as the casual sale, nonprofit organizations, and in general, the definition of taxable economic activity. But these issues are no more troublesome than with any other form of taxation. The Michigan experience was successful in this respect.

The computation of value-added in concept is the height of simplicity, especially using the addition method shown in Table 16.1. Of course, there are modifications necessary to make computations practical. For example, value-added profits include the owner's consumption of the firm's products. As a practical matter, such an item would have to be excluded. There appears to be no problems of computing the components of a value-added base by business firms that would be extraordinarily difficult to solve. Most of the needed information can be obtained from accounting procedures used by business firms in filing federal business tax returns.

Some difficulty arises with respect to the question of what firms are subject to a value-added tax. This form of taxation is thought to apply to all businesses. Indeed, this is the case with the existing value-added taxes and was true of the Michigan business activities tax. In Montana, however, proprietorships and partnerships are not taxable entities. Their income is flowed through to the owners who report the income on their individual income tax returns. The imposition of a value-added tax, in addition to the individual income tax, would increase the tax burden placed on these persons. If proprietorships and partnerships are not required to pay individual income tax on business profits, revenue from that tax would be reduced. If the value-added tax is not applied to these firms, it becomes merely a substitute for the corporate license tax. In this case, evaluation of its merits reduces to a consideration of the change in tax burdens it would bring about and the ease of administration relative to that of the corporate license tax.

Revenue Potential of a Montana Value-Added Tax

Information necessary for estimating the base of a value-added tax in Montana is scarce. A satisfactory estimate of the bases discussed earlier is not available. The base of a value-added tax in Montana can be approximated, however, by adding together payments to factors of production. This method ignores the finer adjustments implied in the bases discussed previously.

According to our method of estimating the value-added base in Montana, net income, payroll, interest, rent, and depreciation are determined for all types of business. Depletion is also part of the value-added base and, accordingly, we have estimated the value of depletion allowances by the type of product for Montana.

Data for making value-added tax revenue estimates come primarily from the data compiled by the Internal Revenue Service, Montana Corporation License Tax returns filed in 1966 and the Bienniel Report of the State Board of Equalization. Our approach involves estimating the net income, payroll, interest, rent, depreciation, and depletion allowances for all businesses in the state for 1966 and projecting the resulting base into the future. Because of limitations of data, we have been able to estimate two of the three types of bases discussed--net income base and gross product base. Table 16.3 shows the total value-added for each type of base and the distribution of the value-added base among eight industry categories.

The net income base in Montana was estimated at \$1.2 billion. Trade, including wholesale and retail trade establishments, have the largest value added. Utilities are reported to have the second largest value added among the industries reported. The utilities category includes transportation, communication, and utilities.

The gross product base is larger than the net income base because of the inclusion of depreciation in the base. The distribution of value added in the gross product base is different than in the net income base because it adds value to industries using large amounts of depreciable capital goods. The inclusion of depreciation increases the gross product base by over one-quarter of a billion dollars over the net income base.

It is interesting to note that nearly 50 percent of the value-added base arises in industries dominated by unincorporated enterprises, namely, agriculture, trade, and services. Inclusion of these enterprises in the base of a business tax is the explanation of the large base relative to the corporate net income tax base.

A value added tax would have yielded about \$6 million for each one-half of 1 percent flat rate on the net income base and about \$7 million for each one-half of 1 percent flat rate on the gross product base. The tax would have been distributed according to the percent distribution of value-added tax base among industries shown in Table 16.3.

One of the criticisms of the value-added tax, as well as the gross receipts tax, is that the tax is exacted from business firms regardless of whether they make a profit. One way to examine this in very broad terms is to determine the net income tax rate required to raise an amount of revenue equivalent to a 1 percent valued-added tax. Table 16.4 shows that a value-added tax of 1 percent would fall unevenly on industries.

The percentages shown in Table 16.4 are essentially the ratio of the value-added base divided by reported net income. Value added in agriculture, net income base, is 1.78 times larger than the reported net income. Thus, a 1 percent value-added tax on the net income base in agriculture would require a profit tax of 1.78 percent to raise the same amount of revenue. Since the value-added, net income base, by manufacturing is 11.5 times larger than net profit, a 1 percent value-added tax would require a profit tax of 11.5 percent to raise the same amount of revenue. The mining industry reported no positive net profit. Thus, the ratio could not be computed.

Lack of historical data allowing estimation of value added and the difficulty in making estimates initially, forced us to use very crude and simple projection procedures. We have chosen Montana total personal income as the best basis on which to project value-added tax bases into the future. The ratios of each of the value-added bases for all businesses to Montana personal income were determined in 1966. The resulting ratios were multiplied times projected total personal income to get value added according to the net income base and gross product base from 1970 to 1975. The value-added bases for corporations alone were determined by the same procedure. The difference between value-added bases of all businesses and the corporate value-added bases was used as the projected value-added bases of all other businesses which includes sole proprietorships and partnerships.

Table 16.5 shows the projected value-added bases, net income type and gross product type, from 1970 through 1975 by business types in Montana. During the next two biennia, the value-added tax bases of all businesses will be 3.35 billion and 3.73 billion for the net income type base and 4.00 billion and 4.46 billion for the gross product type base. The net income type base will generate about 16.8 million to 18.7 million in tax revenue for each one-half of 1 percent of value-added tax rate. The gross product base would generate about one-fifth more revenue per biennium than the net income base. If the value-added tax were applied to corporations alone, a flat rate of one-half of 1 percent would raise about half the revenue raised by applying the tax to all business value added.

Summary

Only one state in the United States has ever had a tax representing a value-added tax. Michigan had a form of the value-added tax from

TABLE 16.3

Amount and Percentage Distribution of Value-Added Tax Base Among Industries Taxable Year 1966

Industry	Net Income Base	Percent	Gross Product Base	Percent
Agriculture	$ 152,648,000	12.7	$ 225,206,000	15.7
Mining	110,683,000	9.2	182,761,000	12.7
Construction	104,868,000	8.7	110,647,000	7.7
Manufacturing	171,802,000	14.3	193,113,000	13.4
Trade	263,389,000	21.9	293,406,000	20.4
Utilities	212,675,000	17.7	229,308,000	15.9
Services	159,023,000	13.2	168,225,000	11.7
Other	26,870,000	2.2	35,504,000	2.5
Total	$1,202,170,000	100.0	$1,438,170,000	100.0

Sources: Twenty-second Biennial Report, State Board of Equalization.

Survey of Current Business (U.S. Department of Commerce, Office of Business Economics, August 1968).

Statistics of Income, 1966, Business Income Tax Returns (U.S. Department of Treasury, Internal Revenue Service).

"A Statistical Analysis of Corporation Taxation in Montana," Montana Corporation License Tax, Montana Legislative Council Report No. 26, (October 1968).

TABLE 16.4

Net Income Tax Rate Equivalent to Value-Added Tax of One Percent for Major Industries Taxable Year 1966

Industry	Net Income Base	Gross Product Base
	(Percent)	(Percent)
Agriculture	1.78	2.62
Mining	----	----
Construction	5.08	5.36
Manufacturing	11.50	12.26
Trade	4.82	5.37
Utilities	3.64	3.92
Services	3.71	3.92
Other	3.33	4.40

Source: Montana Fiscal Affairs Study.

TABLE 16.5

Projected Value Added Tax Bases of Corporations and Other Business Types in Montana 1970 to 1975

		Corporate Value Added		Other Business Value Added		All Businesses Value Added	
Fiscal Year Ending	Montana Personal Income	Net Income Base	Gross Product Base	Net Income Base	Gross Product Base	Net Income Base	Gross Product Base
1970	$2,274	$744	$ 914	$714	$ 830	$1,458	$1,744
1971	2,401	785	965	754	876	1,539	1,841
1972	2,535	829	1,019	796	925	1,629	1,944
1973	2,677	875	1,076	841	977	1,716	2,053
1974	2,827	924	1,136	888	1,032	1,812	2,168
1975	2,985	976	1,200	937	1,090	1,913	2,290

Source: The 1975 personal income for Montana was obtained from Economic and Demographic Projections for States and Metropolitan Areas, National Planning Association, Report No. 68-R-1, 1969, p. s-34.

Notes: Personal incomes in other years were determined by a straight line interpolation between known personal income in 1969 and the projected income in 1975.

Montana corporate value added was obtained by multiplying personal income times .3269 for the net income base and times .4023 for the gross product base.

Montana total value added was derived by multiplying personal income times .6412 for the net income base and times .7670 for the gross product base.

Other business value added was determined by subtracting the corporate value-added figures from all business value-added figures.

1953 to 1967. In 1967 it was repealed in favor of a business net income tax.

There has been sporadic interest in other states in the value-added approach but not enough interest and support to make value-added taxation a part of state tax structures.

Because it is a new concept in taxation (new in terms of existing tax structures), it has some gadget appeal. Its general unfamiliarity to people, its rationale, and simplicity gives it an exotic appeal. In face of the long-standing familiarity of legislators with the inequities and inefficiencies of the "old taxes," there is hope by those wrestling with fiscal problems that something new will afford relief. A brief look at the Michigan experience and the experience abroad would quickly reveal that value-added taxation is not a magical way of levying taxes either.

The value-added tax is neither a conventional gross receipts tax nor a net income or profits tax although it includes elements of both. In its true form, the base of a value added is substantially broader than net income or profits. It includes, in addition to net income or profits, payrolls and depreciation of fixed assets. The value-added tax base is narrower than a gross receipts tax because it permits deduction of all interfirm purchases of materials, supplies, services, and the like. The tax base in its unadulterated form is the sum of income originating in the business enterprise. The large revenue potential of both gross receipts and value-added taxes at very low rates are strong points in this favor.

Some will insist that a value-added tax is a new-fangled term for a sales tax. This position assumes that the value-added tax would be wholly shifted forward to consumers. However, our analysis suggests that the opposite is likely to be true in an open economy and, in fact, a value-added tax would be born by the owners of resources in Montana including labor.

The value-added tax is extremely simple if it can be applied in its pure form with a minimum of additional compliance problems of taxpayers. As with any other new tax revenue source, problems of coordination with existing federal and state taxes exist with the value-added tax. The precision elegance and other merits of the tax would most certainly be blurred when applying it at the operating level as the Michigan experience indicated.

CHAPTER 17 FEDERAL REVENUE SHARING

CHAPTER 17

FEDERAL REVENUE SHARING

Introduction

Financial relationships between the federal government and the states have existed since 1790.[1] In 1790 an act was passed authorizing the federal government to assume state incurred war debts. The 1790 act also allowed federal assumption of state assumed confederation debt. Between 1790 and 1860, there were a total of eighteen programs involving direct financial transfers between the federal government and the states. From 1810 to 1860, states containing public lands received $6.1 million as their 3 to 5 percent payments from the federal government from the sale of public lands. In 1837 the United States Treasury was in surplus and $28.1 million was distributed to the states on the basis of population. During the last half of the 1800s and the first decade of the 1900s, the dominant element of federal-state fiscal relations was the land grant program designed for internal state improvement of education and other services. Since 1915 the formal structure of grant-in-aid programs developed. Cash grant-in-aid programs rose to prominance during the New Deal when specific programs were adopted and payment schemes formally structured.

One interpretation of this long history of federal-state financial interdependence is that there has been continuing interest in the problem of reconciling the superior revenue raising ability of the federal government with the desire for local autonomy in government expenditures. This concern has become even more intense in recent years.

In 1960 Walter W. Heller proposed that rising federal revenues be distributed to state and local governments with few or no strings attached. However, it was not until 1964 that this method of relieving state and local fiscal pressures received serious consideration. Since 1964 a large number of schemes have been proposed. Although the various proposals have much in common, the significance of the differences among alternative plans cannot be overemphasized.

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[1] For a discussion of the history of federal-state fiscal relations see James A. Maxwell, "The Fiscal Impact of Federalism in the United States," Revenue Sharing and Its Alternatives: What Future for Fiscal Federalism, Vol. 1, (U.S. Congress, Joint Economic Committee, 1967).

It is obvious that adoption of any revenue sharing proposal would have important implications for all states. Even under the more modest approaches, shared funds would provide a major contribution to state and local financing. At this stage of discussion, Montana as well as the other states has a clear interest in studying the consequences of alternative plans, and in making its views known.

This report presents the general background of revenue sharing, details of specific proposals, and Montana's share of revenue from alternative schemes. It should serve as a point of departure for careful formulation of a state policy regarding federal revenue sharing.

The Rationale of Revenue Sharing

The rationale used in support of revenue sharing stems from a number of persistent problems in financing state and local government activity. One of the central problems is heavy reliance of state and local governments upon revenue sources (sales and property taxes) which increase at a slower rate than the economy grows. Thus, funds available to finance state and local expenditures fail to keep pace with economic growth. Additionally, expenditure needs have been growing faster than the economy which magnifies the problem. The tendency for state and local revenue sources to grow slower than the economy and state and local expenditures to grow faster than the economy leads to immense pressures on state and local fiscal systems. States are repeatedly faced with serious gaps between expenditure needs and available revenues.

The fiscal picture is quite the opposite at the federal level. Federal income taxes provide revenues that increase more rapidly than the size of the economy. In spite of the rapid growth in federal expenditures, expenditure needs at the federal level have not risen as rapidly as federal revenues. However, during the past four or five years, expenditures on the Vietnam War have masked the peacetime federal fiscal situation. Without increases in Vietnam War spending or if such spending declines, the affluence of the federal fiscal system would become apparent in a short time as it has repeatedly in the past.

Fiscal affluence in relation to expenditure needs at the federal level and fiscal poverty in relation to expenditure needs at the state and local levels add considerable appeal to federal revenue sharing proposals. This fiscal imbalance will sustain repeated pressures for federal assistance to states and localities. Federal revenue sharing is held to be an appropriate avenue for such federal assistance.

Of course, the rationale for revenue sharing has been used in support for other means of providing federal assistance to states and localities as well. Revenue sharing must be viewed within the context of these other avenues of federal assistance.

Alternative Means of Federal Assistance

Included among the alternatives of providing federal assistance are revenue sharing, federal tax cuts, federal tax credits, expansion of federal grant-in-aid, and income maintenance programs. These alternatives are discussed briefly because they constitute the alternatives receiving the most attention and must be considered viable alternatives for increasing federal assistance with widely different long-term results.

Revenue Sharing

In broad terms, revenue sharing involves three elements: (1) the establishment of a fund for distribution to the states; (2) adoption of some specific formula to determine the size of the allocations to each state; and (3) specification of broad conditions governing use of the funds. The fund would most likely be similar to the Federal Highway Trust Fund in which moneys are deposited from earmarked revenue sources. The formula for distribution of funds to states will contain elements which determine the size of the allocations to each state. The elements of the formula will be consistent with agreed upon goals for the federal revenue sharing program. Restrictions on the use of shared federal revenue will for the most part be limited to the nature and amount of federal revenue that will be passed through to local government units.

The original revenue sharing proposal attributable to Walter Heller and Joseph Pechman was a very simple approach. Heller and Pechman proposed that an amount of money constituting a fixed proportion of the federal income tax base (taxable income) be set aside and earmarked for a special trust fund from which payment would be made to the states on a per capita basis with no strings attached. They also suggested that if interstate equalization implicit in the per capita distribution scheme was not enough, a share (10-20 percent) of the fund could be set aside for supplements to low-income states. This plan has three characteristics which are thought to be important virtues. First, the unrestricted nature of the grants would encourage experimentation and innovation by states and localities in solution of their problems. Second, the plan would result in mild redistribution of income toward low-income states because all states would receive the same per capita payments but high-income states would contribute more per capita to the fund. Third, the plan would provide a significant new source of revenue to state and local governments, thereby, relieving pressure on existing state and local tax and revenue bases.

Critics of the Heller-Pechman plan argue that the plan is not sufficiently redistributive and should be designed to help the low-income states more. Another objection to the plan is that states might respond to the plan by reducing their own fiscal effort. This would result in the federal government sharing a larger portion of the existing fiscal burden rather than the states dealing with the problems through new and expanded programs.

The Heller-Pechman plan specifies that there would be no strings attached to the distribution of funds to states. This provision has been evaluated as the source of more basic and potentially more difficult problems of the Heller-Pechman plan. Harvey E. Brazer levied one of the most important objections to revenue sharing. Brazer contends that "the states cannot be relied upon to spend block grants in accord with national priorities, and that the states cannot be trusted to take proper cognizance of the needs of local governments in the allocation of block grant funds."[2] This lack of confidence in the states may result in extensive and comprehensive restrictions on uses of shared funds by states and considerable complication of a revenue sharing plan. Such restrictions could result in essentially the same system as the existing federal grants-in-aid system.

The interests of the states would be clearly represented by the argument against comprehensive restrictions. However, to argue effectively the states must assuage the fears that they will act unwisely if given the discretionary use of shared funds.

Federal Tax Cuts

Reductions in federal taxes is one obvious alternative to revenue sharing. Such reductions would allow states to increase existing taxes or introduce new ones without increasing the total federal-state-local tax bite. Most analysts believe that this alternative would prove to be inefficient and ineffective. Such encouragement to state and local governments would not overcome the strong and persistent resistance to tax increases. Thus, federal tax cuts may simply result in less public revenue and fewer public services, a result contrary to the revenue sharing concept.

Federal Tax Credits

A credit against federal income taxes of some percentage of state and local taxes paid is another alternative to federal revenue sharing. For example, a resident of any state would be permitted to subtract 40 percent of his state and local tax payments from his federal income tax bill. Thus, states and localities could raise their taxes by the amount of the credit without imposing a new tax burden on their residents. This alternative may also prove inefficient and ineffective. It is not clear that the states would have an easy time raising existing taxes or enacting new ones because the federal tax credit may be viewed by residents as a tax break that they would be reluctant to give up. The federal tax credit approach would fall short of any redistributive effects among states also. The value of the credit in each state would depend on income levels in each state and, therefore, high-income states would receive more benefit than low-income states. The tax credit approach would be similar to a revenue sharing alternative that distributes funds to states in accordance with their tax contributions.

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[2] "Comments on Block Grants to the States," Revenue Sharing and the City, eds. Harvey S. Perloff and Richard P. Nathan (Baltimore: The Johns Hopkins Press, 1968), p. 100.

Expansion of Federal Grant-in-Aid

Another alternative to revenue sharing is expansion of federal grant-in-aid. This alternative would involve nothing new in federal-state-local fiscal relations. It would provide additional revenues and would be similar to a revenue sharing scheme with extensive and comprehensive restrictions. However, this alternative would continue to deny states and localities of the freedom to determine their own priorities. Many analysts and politicians have concluded that the federal grant-in-aid system stiffles experimentation and innovation so badly needed for solutions to modern problems. This argument has served as one of the basic tenants supporting federal revenue sharing.

Income Maintenance Programs

Income maintenance programs, although widely discussed, have not been seriously considered as a viable alternative to revenue sharing. The primary purpose of income maintenance programs such as the negative income tax is not to provide more revenue but rather to reduce state and local expenditure burdens. It would direct funds to the areas of greatest need and, thereby, ignore political boundaries per se. Income maintenance programs would ignore for the most part the workings of the political and administrative machinery and in so doing would not encourage state and local governments to become more innovative and self-reliant. Income maintenance programs such as the negative income tax are not now considered to be one of the immediate alternatives to federal revenue sharing. But states would do well to consider such programs as long-term substitutes.

The alternatives to revenue sharing tend to be characterized by the following weaknesses: (1) funds granted to the states are usually subject to conditions which preclude innovation and freedom of establishment of state and local priorities and (2) federal aid, of the matching variety, leaves states the difficult task of raising existing taxes or introducing new taxes. A negative income tax may avoid these problems to a degree but the issues raised by such programs are too complex to be adequately discussed here.

State Share in Revenue from Alternative Sharing Formulas

General discussion of various federal revenue sharing schemes provides a broad view of the operation of those schemes. However, more light can be shed on these sharing schemes by looking at estimates of the shares in revenue of each state using different concepts of federal revenue sharing.

Table 17.1 contains estimates of revenue received by each state and the District of Columbia using six different revenue sharing formulas. The size of the fund to be distributed through the six hypothetical formulas is $1 billion.

Revenue Source Index

The revenue source index in column 1 of Table 17.1 is computed by dividing the federal income tax paid in each state by the total federal income tax paid in all states. In other words the revenue source index is simply the percent of federal income taxes collected in each state times $1 billion. This concept involves returning proportionate shares of income taxes paid to the federal treasury back to the states which paid the revenue into the treasury. The revenue source formula would involve no redistribution of public revenues among states. High-income states would receive entitlements in proportion to the amount they paid in federal income taxes. Low-income states would also receive proportionate amounts.

Montana would receive $2.44 million for every $1 billion of federal revenue to be shared using the revenue source formula. Only six states, Alaska, Idaho, North Dakota, South Dakota, Vermont, and Wyoming would receive less revenue than Montana under this formula.

Straight Population Index

The straight population index in column 2 of Table 17.1 is computed by dividing the population in each state by the total United States population and multiplying by $1 billion. This scheme for revenue sharing with the states is the same as proposed by Heller and Pechman. This scheme has a mild interstate redistributive effect because states with high per capita incomes contribute more to federal tax revenues per capita than low per capita income states but both high and low-income states would receive the same per capita share of revenue.

Using the straight population index, Montana would receive $3.47 million. In this case, seven states would receive less total revenue than Montana. The seven states receiving less than Montana under this scheme would be Alaska, Delaware, Nevada, North Dakota, South Dakota, Vermont, and Wyoming.

Tax Effort Index

The tax effort index was computed by dividing total state and local taxes plus liquor store profits by total personal income in each state and multiplying that ratio in each state by the population in each state. The resulting tax effort ratios of the states were added together to get a total for the United States as a whole. Then the tax effort ratios in each state were divided by the United States total and multiplied by $1

TABLE 17.1

Federal Revenue Sharing Allocation of One Billion Dollars
Among States, Using Various Criteria and Proposals

States	(1) Revenue Source Index	(2) Straight Population Index	(3) Tax Effort Index	(4) Need Index	(5) Senate Bill 2483	(6) President's Proposal
	(Millions of Dollars)					
Alabama	$ 10.02	$ 17.84	$ 15.95	$ 25.53	$ 15.80	$ 16.10
Alaska	1.40	1.39	1.16	1.13	1.20	1.20
Arizona	6.26	8.36	9.53	9.56	10.00	10.10
Arkansas	4.89	10.07	8.89	14.96	9.20	9.50
California	111.63	96.17	120.03	78.09	111.00	112.50
Colorado	9.00	10.25	11.20	10.18	11.00	11.60
Connecticut	23.57	14.81	12.42	11.18	12.60	12.80
Delaware	3.65	2.67	2.49	2.32	2.50	2.40
Florida	26.95	30.82	29.10	33.28	31.20	30.80
Georgia	15.55	22.96	20.73	27.29	20.70	20.80
Hawaii	3.73	3.89	4.91	3.63	5.00	4.80
Idaho	2.33	3.53	4.19	4.56	4.20	4.00
Illinois	72.89	54.91	45.42	45.81	42.20	44.50
Indiana	25.00	25.35	22.69	25.10	24.60	24.20
Iowa	11.25	13.75	15.08	14.74	13.70	14.60
Kansas	9.05	11.52	11.50	11.81	11.60	12.10
Kentucky	9.90	16.16	14.14	20.49	14.80	14.80
Louisiana	12.70	18.67	20.32	24.58	19.90	20.30
Maine	3.52	4.90	5.02	6.05	5.00	5.10
Maryland	23.55	18.80	18.64	16.25	19.40	18.10
Massachusetts	32.67	27.20	28.20	23.62	30.40	29.60
Michigan	50.26	43.73	45.83	40.27	40.80	40.80
Minnesota	15.78	18.24	21.66	19.37	21.10	21.50
Mississippi	4.89	11.72	11.78	20.07	12.30	12.60
Missouri	21.32	23.15	19.58	23.94	21.00	20.40
MONTANA	2.44	3.47	4.00	4.11	3.80	3.90
Nebraska	6.04	7.19	7.04	7.84	6.40	6.60
Nevada	2.74	2.27	2.59	1.80	2.50	2.50
New Hampshire	3.44	3.51	3.16	3.64	3.20	3.10
New Jersey	45.32	35.41	31.63	28.31	32.30	31.10
New Mexico	3.19	5.08	5.47	6.97	5.40	5.70
New York	124.26	90.63	111.90	70.00	122.50	117.10
North Carolina	15.81	25.69	23.40	31.02	23.40	24.20
North Dakota	1.78	3.13	3.60	4.05	3.40	3.50
Ohio	56.11	52.99	43.09	50.30	40.50	41.20
Oklahoma	8.89	12.60	11.73	14.36	12.80	12.60
Oregon	9.35	10.05	10.21	9.89	11.00	10.40
Pennsylvania	60.60	58.60	51.98	55.05	53.90	53.30
Rhode Island	4.86	4.57	4.29	4.11	4.00	4.30
South Carolina	7.36	13.47	11.76	18.75	11.80	12.10
South Dakota	1.80	3.29	3.79	4.18	3.70	3.90
Tennessee	13.42	19.89	18.49	24.99	17.80	18.10
Texas	45.67	54.90	45.32	61.06	45.80	47.70
Utah	3.38	5.17	5.73	6.63	5.80	5.70
Vermont	1.59	2.11	2.46	2.37	2.30	2.40
Virginia	19.78	23.00	21.05	23.84	21.70	20.40
Washington	18.02	16.39	17.81	14.43	16.70	16.20
West Virginia	5.96	9.03	9.19	11.94	9.10	9.00
Wisconsin	20.06	21.08	24.38	21.92	23.10	24.20
Wyoming	1.35	1.58	2.03	1.71	2.10	2.10
District of Columbia	5.00	4.05	3.45	2.92	3.50	3.40
Total[1]	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00

Sources: Governmental Finances 1967 and 1968 (U.S. Department of Commerce, Bureau of the Census).

Statistics of Income, Individual Income Tax Returns, 1967 (U.S. Department of Treasury, Internal Revenue Service).

Note: Data in this table show the amount in millions of dollars each state would receive for each one billion dollars of federal revenue earmarked for sharing, using the indexes of distribution in each column.

1. Details may not add to totals because of rounding error.

Column (1): Federal income tax paid in each state divided by total federal income tax collections in all states.

Column (2): Population in each state divided by total United States population.

Column (3): Ratio of state and local taxes plus state liquor store profits times population to total personal income in each state divided by sum of the above over all states.

Column (4): Dependent population in each state multiplied by the reciprocal of per capita income in each state divided by sum of the above over all states.

Column (5): See U.S., Congress, Senate, 91st Cong., 1st sess., June 5, 1969, Congressional Record, Vol. 115, No. 93, pp. S7100-S7110.

Column (6): See U.S., Congress, Senate, 91st Cong., 1st sess., Aug. 13, 1969, Congressional Record, Vol. 115, No. 138, pp. S9958-S9959.

billion. This scheme modifies the straight population index by the tax effort made in each state. The tax effort is simply the percent of personal income in the state which is paid out in state and local taxes and liquor store profits in states with a state owned liquor monopoly.

The tax effort modification recognizes that some states make larger effort in support of public services and those states should be rewarded in the revenue sharing scheme for those above average efforts. Likewise, states would be penalized if they have lower than average tax efforts or reduced their tax efforts in response to additional revenue gained through revenue sharing.

Accounting for tax effort increases Montana's entitlement by more than $.5 million for each $1 billion of federal revenue to be shared. This feature of a sharing formula would have increasing significance for Montana as the federal sharing fund reached higher levels.

Montana's share of $4.0 million exceeds the share of eight other states and the District of Columbia. Incorporation of the tax effort concept pushes Montana's entitlement above New Hampshire and the District of Columbia when compared to the straight population index.

Need Index

The need index is computed by dividing the dependent population by total personal income in each state and multiplying by the total population in each state. Then each state need index is divided by the total of all state need indexes and multiplied by $1 billion to get each state entitlement.

This concept recognizes the fact that persons 0-18 years old plus those 65 years old and older are not contributing signigicantly to tax paying capacity and are a major burden in terms of public services. The need index can also be viewed as a modification of the straight population index. The population in a state is multiplied by the ratio of the dependent population to personal income. Hence, if two states have the same personal income and total population but one state has a higher proportion of its population 0-18 years old and 65 years old and older, that state will receive a larger share of the sharing fund.

Table 17.1 shows that Montana would get $4.11 million if the sharing formula incorporated the concept of need. This is the largest amount Montana would get out of $1 billion of all the indexes shown. Also, Montana's share would exceed the shares of eight states and the District of Columbia and equal that of Rhode Island.

Senate Bill 2483: The Intergovernmental Revenue Act of 1969

Senate Bill 2483 introduced in the first session of the 91st Congress by Senators Muskie and Goodell is the most recent attempt to establish federal revenue sharing with the states. There were five titles in the Bill which attempted to substantially revise the intergovernmental fiscal relations between units of government in the federal system. Title I of the Bill directly concerned revenue sharing. The remaining titles concerned federal income tax credits for state and local taxes, federal collection of state income taxes, federal credits for state death tax payments, and taxation of properties located in federal land areas. The analysis here will concern only Title I, the federal revenue sharing features of Senate Bill 2483.[3]

The general support or sharing trust fund would receive appropriations of the Congress amounting to one-half the sum of 1 percent of federal individual taxable income and 25 percent of state individual income tax collections. In fiscal 1970 the sharing trust fund would approximate $2.8 billion.

The Secretary of the Treasury would be required to make quarterly payments to qualifying states. He would be required to make adjusting payments to reflect any previous over or under payments. The payments to each state would be determined by the formula specified in the Bill. The formula specifies that each state area would receive an amount that depends on the population and relative tax effort in each state. Each state shares with local government units in accordance with the division of responsibilities between state and local government units.

Specifically the formula contains the following elements: (A) resident population; (B) tax effort, i.e., the result of dividing the annual total of state and local taxes plus profits of state-owned liquor stores by the total personal income of individuals in the state; and (C) tax effort ratio, i.e., the result of dividing the current tax effort (B) by the tax for the previous year.

After multiplying each of the factors (A, B, and C) for each state, the products are added to determine the sum for the fifty states and the District of Columbia. This total becomes the denominator for calculating a ratio between each state's population-tax effort product and the total population tax effort product for all states. The amount of the trust fund multiplied by this ratio for any state yields the amount of that state's entitlement.

Amounts shown in Table 17.1, column 5, represent state entitlements for each $1 billion in the revenue sharing trust fund. For example, if the 1970 appropriations to the trust fund were $2.80 billion, Montana would receive 2.8 times $3.80 million or $10.64 million according to the formula specified in Senate Bill 2483.

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[3] U.S., Congress, Senate, 91st Cong., 1st sess., June 25, 1969, Congressional Record, Vol. 115, No. 105, pp. S7104-S7108.

Required federal-state agreements on use of funds by the states contain elements of financial control, pass through to cities and counties, maintenance of state grants to local governments, and adherence to federal laws. The states would have to agree to exercise the same financial control over their sharing entitlement as they do over their own funds. Funds distributed to cities and counties would have to be maintained in an unrestrictive character except to the extent that local subdivisions could not spend the money for purposes which conflict in whole or in part with the states' comprehensive development plan. States must not reduce grants out of their own funds to cities and counties by virtue of the additional federal revenue sharing aid. The states must adhere to all federal laws in connection with any activity or program supported by funds provided by the federal revenue sharing act.

Distribution of the state entitlements to local government units is also specified in the revenue sharing portion of Senate Bill 2483. This feature is known as the pass-through requirement. However, the states would be allowed to submit their own pass-through plan for approval. The pass-through requirement in the act specifies that: (1) cities and counties of 100,000-plus population receive an amount equal to the product of multiplying the state entitlement by two times the local revenue ratio (the ratio of local taxes to total state-local taxes); (2) cities and counties of 50,000-plus population receive an amount equal to the product of multiplying the state entitlement by two times the local revenue ratio multiplied further by the percentage by which the city or county population exceeds 50,000; and (3) school districts would receive an amount determined by multiplying the payment to the state (after subtracting the amount allocated to cities and counties) by the ratio of district separate school taxes to the sum of state taxes and all district separate school taxes.

On a nationwide basis this formula would allocate 22 percent of the trust fund to cities, 13 percent to counties, and 16 percent to school districts. In Montana the formula would allocate .38 percent of the state's entitlement to cities, 5.85 percent to counties and 26.59 percent of the state's share to school districts. There would be only two aided cities in Montana, Great Falls and Billings, and two aided counties, Cascade and Yellowstone. Great Falls and Billings would share about $14,000, Cascade and Yellowstone counties would share about $220,000, and all school districts would share about $1 million out of each $1 billion set aside in the federal revenue sharing trust fund.

The President's Proposal for Revenue Sharing

The revenue sharing proposal of the Nixon Administration presented to the first session of the 91st Congress is similar in many respects to the Muskie-Goodell Senate Bill 2483.[4] However, there are some differences. In particular the important differences involve the size of the initial trust fund appropriation and pass-through requirements. The Nixon proposal sets the 1971 trust fund appropriation at $.5 billion as compared to the $3.4 billion contemplated in S2483. Also, S2483 has a mandatory pass-through feature for communities with populations of 50,000 or more and doubles the weight given to their revenue performance. Allocations among smaller local units is left entirely to the states. Under the Nixon proposal, amounts allocated to all local units would be prescribed by formula regardless of population size. In other words, there would be a mandatory pass through to all local units of government in each state with no particular or special recognition of urban centers with large populations.

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[4] U.S., Congress, Senate 91st Cong., 1st sess., Aug. 13, 1969, Congressional Record, Vol. 115, No. 138, pp. S9958-S9959.

Both proposals initially channel all federal revenue sharing funds to state governments in recognition of varying state-local responsibilities among states. State area entitlements are essentially the same under both proposals except that S2483 gives greater weight to the most recent increases in state-local tax effort and S2483 has a narrower definition of revenue effort accounting for minor differences in the amount of state entitlement. Both proposals incorporate state flexibility provisions. The President's proposal is somewhat more restrictive because of the pass-through requirement involving all local units rather than only those with 50,000-plus populations. The President's proposal is, however, less restrictive than S2483 in regard to expenditure conditions. Senate Bill 2483 prohibits local expenditure of shared funds in violation of existing state comprehensive development plans. The determination of local shares in the state entitlement is somewhat different under the two proposals. Under the President's proposal, general purpose local governments share in proportion that their general local revenue bears to total state-local general revenue. Under S2483 eligible cities and counties share in proportion that double their taxes bear to total state-local taxes in the state.

Summary

From the standpoint of Montana, a number of facts are quite clear. As a lower-income state, Montana's share of the federal revenue sharing trust fund increases as interstate income redistribution becomes more important in the formula. Thus, the state's share is lowest when funds are distributed on the basis of tax contribution. The share is somewhat higher when a straight population allocation is used and rises even higher when need--defined as the reciprocal of per capita income times dependent population--is introduced. On a tax effort basis Montana's share is still relatively high--$4.0 million per $1.0 billion to be distributed. Montana would share more favorably under both the Nixon proposal and S2483 than under a straight population index but better under the Nixon proposal than under S2483. The $.1 million less revenue under S2483 can be attributable to two factors inherent in the differences in the two formulas. First, a slower increase in Montana's tax effort during the last few years slightly decreases Montana's share under S2483 and is not explicitly recognized in the Nixon proposal. Also, Montana's total revenue effort is higher than its tax effort due to heavy reliance on nontax revenue sources. This factor is recognized in the Nixon formula but not in S2483.

It should be noted that there is a large number of criteria that can be used for distributing funds. Their selection is usually based on some broad goals of those considering revenue sharing. We have provided the criteria which are considered most valid by analysts and politicians. We have attempted to point out the implications of alternative criteria. We should point out that the criteria are not mutually exclusive and it is possible that some combination of criteria could in the final analysis serve more adequately. Obviously, the number of ways of combining criteria is also large.

PART V

A SHORT SYNOPSIS OF MAJOR ELEMENTS OF MONTANA TAXES AND LICENSES

Chapter 18 Compendium of Montana State and Local Taxes and Licenses

CHAPTER 18 COMPENDIUM OF MONTANA STATE AND LOCAL TAXES AND LICENSES

CHAPTER 18

COMPENDIUM OF MONTANA STATE AND LOCAL TAXES AND LICENSES

Introduction

In preparing this compendium, many decisions were made concerning its precise nature and organization. These decisions arose primarily from consideration of the trade-offs which must be made between brevity and completeness. The general format includes the citation in the Revised Codes of Montana, persons or businesses, etc., subject to the tax or license, rates and basis of each tax or license, historical data on rates, the tax or license base to which the rates apply, collections in dollar terms, and the disposition of funds.

This compendium has neither the authority or exactitude of the original text of the law. It can be used as a source of basic information and data to be supplemented by resort to the codes when questions demand greater detail and accuracy. The principal references for this compendium are the State Tax Reporter--Montana, Commerce Clearing House, Inc., as revised by monthly supplements; and the Revised Codes of Montana, 1947.

Corporate License Tax

The Montana Corporation License Tax was enacted by Chapter 79, Laws of 1917. The current statutes are found in Chapter 15, Title 84, Revised Codes of Montana.

Corporations Subject to Tax

The tax is imposed on every corporation engaged in business in Montana. Foreign corporations, however are taxed only on that income which is attributable to sources within the state of Montana. Certain types of nonprofit corporations are exempt. Also exempt are insurance companies which pay the net premiums tax, state banks, and national banks. The special taxes on express companies and freight line companies are in lieu of all other taxes on income or franchise.

Rate and Basis of Tax

Taxable income is the gross income of the corporation less the following deductions.

1) All ordinary and necessary expenses paid or incurred during the taxable year in the maintenance and operation of the business and properties.

2) All losses actually sustained and charged off within the year and none compensated for by insurance or otherwise.

3) A reasonable depreciation allowance for the exhaustion, wear and tear, and obsolescense of property arising out of its use in the trade or business.

4) An allowance for depletion in accordance with the provisions of the Internal Revenue Code.

5) Interest paid within the year.

6) Taxes paid within the year with the exception of the following:

   a. Montana Corporation License Tax
   b. Taxes assessed for local benefits tending to increase the value of the property assessed
   c. Taxes measured by net income imposed by the government of the United States
   d. Contributions to pensions and profit sharing plans

A corporation which has income which is taxable both within this state and outside of it must allocate its net income. Nonbusiness income from such items as rents, royalties, and capital gains are allocated according to the state in which the property is utilized. Business income may be allocated in either of two ways. A direct accounting procedure may be employed under which actual expenses and revenues are directly attributed to the state in which they arise. An allocation formula based on the proportions of sales, property, and payroll in the state of Montana may be used. The State Board of Equalization or the corporation may initiate action to have the allocation formula altered in cases where it clearly does not provide proper allocation.

Historically tax rates have been as follows:

Effective Dates	Rates	Percent
1917 to 1919	($10,000 exempt)	1
1919 to 1932	($ 2,500 exempt)	1
1933 to 3-11-37	minimum tax $ 5	2
3-12-37 to 12-30-57	minimum tax $ 5	3
12-31-57 to 12-30-60	minimum tax $10	5
12-31-60 to 2-27-65	minimum tax $10	4.50
2-28-65 to 2-27-67	minimum tax $10	5.25
2-28-67 to 2-27-69	minimum tax $10	5.50
2-28-69 to 2-27-71	minimum tax $50	6.25
2-28-71	minimum tax $50	5.50

TABLE 18.1

Corporate License Tax Base, Collections and Percent of Total Taxes
1963-1968

Year	Base	Collections	Percent Total Taxes
1968	$132,516,000	$7,328,704	6.98
1967	142,977,000	7,607,809	8.20
1966	131,839,000	6,957,701	7.63
1965	129,647,000	5,871,235	7.38
1964	111,335,000	5,119,663	6.74
1963	104,198,000	4,723,213	6.40

Disposition of Funds

The constitution requires that funds acquired by means of taxes based on income must be allocated to the schools and to the State Government. The most recent allocation is as follows:

64 percent General Fund
25 percent Common School Equalization Fund
11 percent Long-Range Building Program

The portion allocated to the Long-Range Building fund may revert to the General Fund if revenue from the Cigarette Tax is sufficient to service the debt of the Long-Range Building program.

Corporate Franchise Tax

Chapter 22, Title 15, Revised Codes of Montana, specifies the franchise fees which must be paid by persons seeking incorporation in Montana and foreign corporations seeking authorization to do business in Montana.

Collections are shown in Table 18.2.

TABLE 18.2

Corporation Franchise Tax Collections
and Percent of Total Taxes
1963-1969

Year	Collections (000)	Percent Total Taxes
1963	$113	.15
1964	117	.15
1965	125	.16

TABLE 18.2-Continued

Corporation Franchise Tax Collections
and Percent of Total Taxes
1963-1969

Year	Collections (000)	Percent Total Taxes
1966	$137	.15
1967	121	.13
1968	149	.14
1969	222	.19

Source: State Tax Collections in 1955 and subsequent issues (Dept. of Commerce, Bureau of the Census).

Corporations Subject to Tax

Every new corporation seeking to organize under the laws of Montana must pay a license fee. Existing Montana corporations wanting to increase the number of shares of stock they are authorized to issue must also pay a fee. Foreign corporations who seek authority to transact business in the state must pay a qualification fee.

Basis of Tax

The license fees for organizing domestic corporations are based upon the number of shares which it will have authority to issue. For purposes of computing the tax on shares having a par value, each $100 unit of the authorized shares is considered as one taxable share. Shares which do not have a nominal or par value are considered equivalent to shares having a par value of $1. Thus each 100 shares without a par value are considered as one taxable share. In no event is the license fee less than $50.

The Secretary of State also charges a $20 fee for filing articles of incorporation and issuing a certificate of incorporation. Religious and nonprofit organizations must pay this recording fee also.

Foreign corporations pay a flat rate fee of $50 to obtain authorization to transact business in Montana. Subsequently, the Secretary of State determines the license fee which a newly authorized domestic corporation would be required to pay if it had authorized shares having a par value of $100 in an amount equal to the stated capital of the foreign corporation as shown in its first annual report. This amount is then multiplied by a fraction which is the ratio of the sum of the value of property located in Montana and gross receipts from transactions in Montana to total value of property plus total gross receipts. The initial fee of $50 is deducted from the total amount due.

Rate of Tax

The tax which is levied against the number of taxable shares is determined by the following schedule:

Number of Shares	Tax Per Share
First 1,000	$.10
Next 1,500	.08
Next 2,500	.06
Next 5,000	.04
Over 10,000	.02

An increase in authorized shares is taxed by determining the total tax which would be due from a new corporation and subtracting the amount of tax previously paid.

The following miscellaneous fees are also charged:

1. Filing articles of incorporation and issuing a certificate of incorporation, $20.
2. Filing articles of amendment and issuing a certificate of amendment, $20.
3. Filing restated articles of incorporation and issuing a restated certificate of incorporation, $20.
4. Filing articles of merger or consolidation and issuing a certificate of merger or consolidation, $20.
5. Filing an application to reserve a corporate name, $2.
6. Filing a notice of transfer of a reserved corporate name, $2.
7. Filing a statement of change of address of registered office or change of registered agent, or both, $2.
8. Filing a statement of the establishment of a series of shares, $5.
9. Filing a statement of cancellation of shares, $5.
10. Filing a statement of reduction of stated capital, $5.
11. Filing a statement of intent to dissolve, $2.

12. Filing a statement of revocation of voluntary dissolution proceedings, $2.

13. Filing articles of dissolution and issuing a certificate of dissolution, $5.

14. Filing an application of a foreign corporation for a certificate of authority to transact business in this state and issuing a certificate of authority, $20.

15. Filing an application of a foreign corporation for an amended certificate of authority to transact business in this state and issuing an amended certificate of authority, $20.

16. Filing a copy of an amendment to the articles of incorporation of a foreign corporation holding a certificate of authority to transact business in this state, $10.

17. Filing a copy of articles of merger of a foreign corporation holding a certificate of authority to transact business in this state, $20.

18. Filing an application for withdrawal of a foreign corporation and issuing a certificate of withdrawal, $5.

19. Filing an annual report, $5.

20. Filing any other statement or report, except an annual report, of a domestic or foreign corporation, $2.

Disposition of Funds

Fees collected by the Secretary of State are placed in the general fund.

Individual Income Tax

The Montana Individual Income Tax was established by Chapter 181, Laws of 1933. The text is contained in Chapter 49, Title 84, Revised Codes of Montana.

Persons Subject to Tax

All persons who are residents of Montana or who earn income which is attributable to the state of Montana are subject to the individual income tax. Estates and trusts are also subject to this tax. The tax is the liability of either the fiduciary or beneficiary of the estate or trust.

Rate and Basis of Tax

The amount of income on which the tax is to be paid is determined in much the same way as taxable income is found for the Federal Income Tax. Montana Adjusted Gross Income is derived from Federal Adjusted Gross Income by adding interest on state and municipal bonds and then subtracting interest of federal obligations and dividends from national banks within the state of Montana. From Adjusted Gross Income are subtracted either itemized deductions or the standard deduction of 10 percent of Adjusted Gross Income. The maximum standard deduction allowed is $500 for individuals or $1,000 for married couples filing joint returns. The standard deduction is not allowed for nonresidents. Personal exemptions are allowed as in the Federal Income Tax. These consist of $600 for the taxpayer and each dependent and $600 for the taxpayer or spouse being over age 65 or blind.

The current rate structure is shown below. An additional surtax of 10 percent of the tax liability is added after computing the basic tax.

Taxable Income		Rate
More Than	But not Over	
0	1,000	2 percent of taxable income
1,000	2,000	$ 20 plus 3 percent of excess over $1,000
2,000	4,000	50 plus 4 percent of excess over 2,000
4,000	6,000	130 plus 5 percent of excess over 4,000
6,000	8,000	230 plus 6 percent of excess over 6,000
8,000	10,000	350 plus 7 percent of excess over 8,000
10,000	14,000	490 plus 8 percent of excess over 10,000
14,000	20,000	810 plus 9 percent of excess over 14,000
20,000	35,000	1,350 plus 10 percent of excess over 20,000
35,000	------	2,859 plus 11 percent of excess over 35,000

TABLE 18.3

Individual Income Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Collections	Percent Total Taxes
1968	$29,574,000	28.2
1967	24,224,000	26.1
1966	21,111,000	23.1
1965	16,656,000	20.9
1964	14,691,000	19.4
1963	13,934,000	18.9

Disposition of Funds

The constitution requires that funds acquired by means of the Individual Income Tax must be allocated to the schools and to the State Government.

The most recent allocation is as follows:

64 percent general fund
25 percent common school equalization fund
11 percent long-range building program

The portion allocated to the long-range building bond account may revert to the General fund if revenue from the Cigarette Tax is sufficient to satisfy the principal and interest obligations of the long-range building indebtedness.

Oil Production Tax

The Oil Producers License Tax was established by Chapter 266, Laws of 1921. The text is contained in Chapter 22, Title 84, Revised Codes of Montana.

Persons Subject to Tax

The tax applies to every person owning, leasing, or carrying on the operation of wells from which marketable petroleum is produced.

Rate and Basis of Tax

The producers license tax is determined by the gross value of all petroleum or other mineral or crude oil produced. Any amount used in connection with the operation of the well or for pumping petroleum to a tank or pipeline is exempt.

The tax is 2.1 percent of the gross value of product up to 450 barrels times the number of wells in operation. The tax is 2.65 percent of any amount in excess of the above.

TABLE 18.4

Oil Production Gross Value, Collections and Percent of Total Taxes
1963 to 1968

Year	Value of Gross Product	Collections	Percent Total Taxes
1968	$104,432,428	$2,255,918	2.149%
1967	85,009,999	2,105,955	2.269
1966	87,671,195	1,985,386	2.177
1965	74,715,218	1,793,144	2.255
1964	75,064,639	1,824,693	2.404
1963	76,060,779	1,853,747	2.510

Disposition of Funds

All revenue is placed in the General Fund.

Oil and Gas Conservation Tax

The present Oil and Gas Conservation Tax was established by Chapter 238, Laws of 1953. The statutes may be found in Chapter 1, Title 60, Revised Codes of Montana.

Persons Subject to Tax

The tax applies to persons producing or storing crude petroleum in the state and on operators and producers of natural gas.

Rate and Basis of Tax

The tax is assessed on the basis of the number of barrels of oil produced and marketed or stored and on each ten thousand cubic feet of natural gas produced. On leases whose wells produce an average of 25 barrels of crude oil per day or less, the assessment may not exceed one-forth cent per barrel. On leases whose wells produce an average of more than 25 barrels per day, the assessment is not to exceed one-half cent per barrel. The levy on natural gas is not to exceed one mill per ten thousand cubic feet. The actual rate is determined by the Oil Conservation Commission.

There are also fees for drilling permits as follows:

3,500 feet or less	$ 25.00
3,501 to 7,000 feet	75.00
over 7,000 feet	150.00

Disposition of Funds

All proceeds of the conservation tax are to be placed in an earmarked revenue account which is used to defray the expenses of the Conservation Commission.

Metalliferous Mines

The license tax on metal mines was established by Initiative No. 28, 1925. The laws pertaining to the tax are now found in Chapter 20, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Every person operating mining property from which gold, silver, copper, lead, any other metal, precious or semiprecious stones are extracted must pay a license tax.

Rate and Basis of Tax

The tax is levied as a percent of the value of the gross product of the company. The rates are as follows:

first	$100,000	.15%
next	150,000	.575
next	150,000	.86
next	100,000	1.15
over	500,000	1.43

TABLE 18.5

Metal Mines Gross Value, Collections and Percent of Total Taxes
1963 to 1968

Year	Value of Gross Product	Collections	Percent Total Taxes
1968	$ 53,140,563	$ 622,239	.59%
1967	103,376,354	1,200,734	1.29
1966	99,348,675	1,135,743	1.25
1965	79,507,890	905,207	1.14
1964	61,369,699	701,213	.92
1963	69,365,711	818,174	1.11

Disposition of Funds

All proceeds are credited to the General Fund.

Micaceous Mineral Tax

The license tax on micaceous mineral mines was enacted by Chapter 50, Laws of 1951 and is currently found in Chapter 59, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Every person operating a mine from which vermiculite, perlite, kerrite, maconite or any other micaceous mineral or hydrous silicates are extracted must pay a license tax.

Rate and Basis of Tax

The tax is five cents for each ton produced.

TABLE 18.6

Micaceous Mineral Tons, Collections and Percent of Total Taxes, 1963 to 1968

Year	Tons	Collections	Percent Total Taxes
1968	159,298	$7,965	.008%
1967	169,630	8,481	.009
1966	163,300	8,163	.009
1965	136,473	6,824	.009
1964	156,240	7,812	.010
1963	137,029	6,851	.009

Disposition of Funds

All proceeds are credited to the General Fund.

Coal Mining and Retailing Taxes

Chapter 155, Laws of 1921 enacted a tax on coal mine operators. Chapter 3, Extra Session Laws of 1921 imposed a license tax on retailers of coal. The current texts are contained in Chapters 13 and 14, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Every person engaged in the business of operating a strip coal mine is subject to the tax. Every person engaged in retailing coal of any kind is subject to the provisions.

Rate and Basis of Tax

A tax of five cents is levied on every ton of coal in excess of 50,000 which is extracted by means of strip mining in the state of Montana.

Retailers pay an annual fee of $1.00 in addition to a tax of five cents on every ton of coal sold on which the producer has not paid the tax or assumed liability for it.

TABLE 18.7

Coal Production in Tons, Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Taxable Tons	Collections	Percent Total Taxes
1968	261,900	$13,095	.01%
1967	282,520	14,126	.02
1966	261,740	13,087	.01
1965	271,520	13,576	.02
1964	230,380	11,519	.02
1963	257,780	12,889	.02

Disposition of Funds

All proceeds are placed in the General Fund.

Cement License Tax

Chapters 15 and 16, Laws of 1921 provided that all cement producers and dealers must pay a license tax for the privilege of engaging in that business in the state of Montana. These laws are contained in Chapters 11 and 12, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Every person in the business of producing or retailing cement plaster, gypsum plaster, stucco, wallboard or other products containing at least 50 percent cement or gypsum by weight must pay a license tax.

Rate and Basis of Tax

The tax on cement is determined by the number of barrels of cement produced or used in the production of other products taxable under this law. A barrel contains 376 pounds. The tax on gypsum is determined by the number of tons produced or used.

The tax is four cents per barrel of cement and five cents per ton of gypsum. Retailers must also pay a basic fee of $1.00.

TABLE 18.8

Cement Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Collections	Percent Total Taxes
1968	$ 89,556	.085%
1967	123,745	.133
1966	94,634	.104
1965	102,995	.130
1964	98,624	.130
1963	66,451	.090

Disposition of Funds

All proceeds are placed in the General Fund.

Carbon Black License Tax

The law providing for the licensing of carbon black producers was introduced by Chapter 97, Laws of 1929. The text of the provisions may be found in Chapter 10, Title 84, Revised Codes of Montana.

Person Subject to Tax

Any person producing or manufacturing carbon black in the state of Montana for sale or use must pay a license tax.

Rate and Basis of Tax

The tax is levied at the rate of .125 percent for each pound of carbon black produced.

There has been no revenue from this measure since 1932.

Disposition of Funds

Proceeds are to be placed in the General Fund.

Electric Energy Tax

The tax on electric companies was enacted by Chapter 51, Laws of 1933. The current text is found in Chapter 16, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Every person or organization in the state of Montana engaged in the production of electricity for sale must pay a license tax.

Electricity used for pumping water to be used for irrigation is exempt from the tax.

Public utilities owned by counties, cities, or towns are exempt from the tax.

Basis and Rate of Tax

The tax is levied at the rate of 1.438 percent of gross sales. Prior to April 1, 1969, the rate was 1.25 percent. Cooperatives and foreign corporations are assessed $10.00 for each one hundred persons to whom electricity is supplied in lieu of all other excise and income taxes.

TABLE 18.9

Electrical Energy Gross Receipts, Collections and Percent of Total Taxes
1963 to 1968

Year	Collections	Percent Total Taxes	Gross Receipts
1968	$426,729	.407%	34,138
1967	451,800	.487	36,144
1966	470,050	.515	37,604
1965	509,760	.641	40,781
1964	484,856	.639	38,788
1963	471,141	.638	37,691

Disposition of Funds

All proceeds are placed in the General Fund.

Fish and Game Licenses

The statute governing the licensing of hunters and fishermen in the state of Montana is contained in Chapter 2, Title 26, Revised Codes of Montana, 1947.

Collections for recent years are shown in Table 18.10.

Persons Subject to Tax

Anyone wishing to hunt or fish in the state of Montana must abide by the rules and regulations of the State Fish and Game Commission and posses a valid license of the proper type.

Rate of Tax

The fees and requirements for licenses are shown below.

Exceptions

A resident who is sixty-five years of age or older may obtain a pioneer license which authorizes the holder to fish and hunt game birds. The fee is 15 cents.

Residents of institutions under the jurisdiction of the State Board of Institutions except the state prison may fish without a license.

Veterans who are patients in hospitals operated by the veterans administration may fish with a license issued by the head of the hospital for a fee of 15 cents.

Residents under the age of fifteen years may purchase Class A-1, A-3, A-4, and A-5 licenses for one-half the ordinary fees.

TABLE 18.10

Fish and Game Licenses Collections and
Percent of Total Taxes 1963-1969

Year	Collections (000)	Percent Total Taxes
1963	2,136	2.9
1964	2,213	2.9
1965	2,369	3.0
1966	2,184	2.4
1967	2,438	2.6
1968	2,984	2.8
1969	3,224	2.9

Source: State Tax Collections in 1955 and subsequent issues (U.S. Dept. of Commerce, Bureau of the Census).

License fees and requirements are shown as follows:

Type of License	Class	Fee	Other Licenses Required
Resident Fishing	A	$ 4	None
Resident Game Bird	A-1	2	None
Special Bow and Arrow	A-2	3	A-1, and A-3, A-4, A-5, B-2, B-5, or B-6
Deer A	A-3	3	None
Deer B	A-4	5	None
Elk	A-5	3	None
Nonresident Fishing	B	15	None
Nonresident Game Bird	B-1	25	None
Nonresident Big Game	B-2	150	None
Six-day Nonresident Fishing	B-3	5	None
Nonresident Deer	B-5	35	None
Nonresident Antelope	B-6	35	None
Fur Trapper	Special	10	None
Landowner's Trapping	C-1	1	None
A, A-1, A-3, A-5	AAA	20	None
Resident Moose	Special	25	None
Nonresident Moose	Special	50	None
Resident Mountain Goat	Special	15	None
Nonresident Mountain Goat	Special	30	None
Resident Mountain Sheep	Special	25	None
Nonresident Mountain Sheep	Special	50	None
Resident Bison	Special	25	None
Nonresident Bison	Special	100	None
Resident Antelope	Special	3	None
Nonresident Antelope	Special	10	None
Resident Grizzly Bear	Special	1	None
Nonresident Grizzly Bear	Special	25	None
Grizzly Bear Trophy License	Special	25	None

Source: Revised Codes of Montana, 1947.

All licenses require the purchase of a wildlife conservation license as a prerequisite. The fee for residents is $.25. The fee for nonresidents is $1.00.

Disposition of Funds

The fees from all fish and game licenses are credited to the State Fish and Game Commission.

Natural Gas Tax

The license tax on distributors of natural gas was enacted by Chapter 180, Laws of 1933. The current text is found in Chapter 21, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Every person owning, controlling or leasing any plant for the distribution of natural gas to consumers within the state or to persons within the state for use outside of the state is subject to tax.

Rate and Basis of Tax

The tax is imposed at the rate of .575 cents per thousand cubic feet of gas distributed. Prior to 1969 the rate was .5 cents per thousand cubic feet.

TABLE 18.11

Natural Gas Taxable Cubic Feet, Collections and Percent of Total Taxes
1963 to 1968

Year	Cubic Feet	Collections	Percent Total Taxes
1968	56,125,000	$280,625	.267%
1967	59,371,000	296,855	.320
1966	59,756,000	298,780	.328
1965	57,637,000	288,186	.362
1964	52,276,000	261,381	.344
1963	48,717,000	243,588	.330

Disposition of Funds

All money collected is placed in the General Fund.

Telephone Tax

The current Telephone Tax was enacted by Chapter 94, Laws of 1937. The present text is contained in Chapter 26, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Every telephone company operating in the state of Montana is subject to the Telephone Tax.

Rate and Basis of Tax

The tax is levied at the rate of 1.725 percent of gross income derived from business within the state. This applies only to messages which both originate and terminate within Montana. Cooperatives are assessed $10 for each 100 persons to whom service is supplied in lieu of all other excise and income taxes.

TABLE 18.12

Telephone Gross Receipts, Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Taxable Gross Receipts	Collections	Percent Total Taxes
	(000)		
1968	$33,689	$505,338	.481
1967	31,737	470,589	.507
1966	29,927	448,910	.492
1965	28,205	423,973	.532
1964	27,275	409,121	.539
1963	25,907	388,601	.526

Disposition of Funds

All proceeds are placed in the General Fund.

Telegraph Tax

The tax on telegraph companies was enacted by Chapter 41, Laws of 1933. Current text is found in Chapter 25, Title 84, Revised Codes of Montana.

The tax is administered by the Public Service Commission.

Persons Subject to Tax

Anyone transmitting telegraph messages over telegraph lines is subject to the tax.

Rate and Basis of Tax

The tax is levied at the rate of 2 percent of the gross income derived from intrastate business in the state of Montana.

TABLE 18.13

Telegraph Gross Receipts, Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Taxable Gross Receipts	Collections	Percent Total Taxes
1968	$19,800	$396	0+%
1967	26,750	535	.001
1966	27,550	551	.001
1965	31,850	637	.001
1964	25,600	512	.001
1963	34,550	691	.001

Disposition of Funds

All revenue collected is placed in the General Fund.

Freight Line Companies

The present tax on freight line companies was enacted by Chapter 137, Laws of 1949. The text may be found in Chapter 48, Title 84, Revised Codes of Montana. The tax is jointly administered by the State Board of Equalization and the Board of Railroad Commissioners.

Persons Subject to Tax

Every person who is not the owner or operator of a railraod and who engages in the business of operating or furnishing cars which are not otherwise listed for taxation in Montana for the transportation of freight over railways within this state must pay a license tax.

Rate and Basis of Tax

The tax is levied on total gross earnings from operations within the state of Montana. Earnings from business which is not wholly within the state are assessed according to the proportional miles of use within the state. The tax is 5.5%. Prior to 1969 the rate was 5%.

TABLE 18.14

Freight Line Gross Receipts, Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Gross Receipts	Collections	Percent Total Taxes
1968	$4,381,800	$219,090	.209%
1967	4,088,440	204,422	.220
1966	3,529,080	176,454	.193
1965	3,522,340	176,117	.221
1964	3,169,280	158,464	.209
1963	2,944,640	147,232	.199

Disposition of Funds

All proceeds are placed in the General Fund.

Express Companies

The tax on express companies was enacted by Chapter 87, Laws of 1917. The current text is found in Chapter 17, Title 84, Revised Codes of Montana.

The law is administered by the Board of Railroad Commissioners.

Persons Subject to Tax

Every express company doing business within the state is subject to the tax. An express company is defined as any person engaged in the business of conveying money, packages, etc., by express service as distinguished from the ordinary freight lines of transportation.

Rate and Basis of Tax

The tax is 4% of the gross receipts of the company from business performed within the state of Montana.

TABLE 18.15

Express Companies Gross Receipts, Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Gross Receipts	Collections	Percent Total Taxes
1968	$75,175	$3,007	.003%
1967	85,875	3,435	.004
1966	92,650	3,706	.004
1965	96,075	3,843	.005
1964	94,125	3,765	.005
1963	90,950	3,638	.010

Disposition of Funds

All proceeds are placed in the General Fund.

Sleeping Car Companies

The license tax imposed on sleeping car companies was enacted by Chapter 64, Laws of 1923. Current text is contained in Chapter 23, Title 84, Revised Codes of Montana.

The tax is administered by the Board of Railroad Commissioners.

Persons Subject to Tax

Any person who is not a railroad and who operates dining, buffet, chair, parlor, palace, or sleeping cars upon the railroads within the state must pay the Sleeping Car Company Tax.

Rate and Basis of Tax

The tax is levied at the rate of 1.5 percent of the value of the capital stock employed in the sleeping car business.

TABLE 18.16

Sleeping Car Companies Value, Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Valuation	Collections	Percent Total Taxes
1968	$638,333	$ 9,575	.009%
1967	747,000	11,205	.012
1966	753,866	11,308	.012
1965	651,466	9,772	.012
1964	680,866	10,213	.013
1963	705,733	10,586	.014

Disposition of Funds

All taxes collected are placed in the General Fund.

Motor Carriers

The law governing motor carriers was enacted by Chapter 184, Laws of 1931. The current text is found in Chapter 1, Title 8, Revised Codes of Montana.

The law is administered by the Board of Railroad Commissioners.

Persons Subject to Tax

Every person operating motor vehicles upon public highways of the state of Montana for the transportation of persons or property on a commercial basis must pay a license tax.

Rate and Basis of Tax

A fee of $10 is charged for each vehicle operated on the public roads and highways of the state.

In addition every motor carrier must pay a tax of .575% of its gross operating revenue. The minimum fee is $30 for each vehicle registered for Class A and Class B carriers and $15 per vehicle for Class C carriers.

TABLE 18.17

Number of Motor Carriers, Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Number of Carriers	Collections	Percent Total Taxes
1968	910	$622,504.03	.593%
1967	849	466,183.52	.502
1966	840	520,855.67	.571
1965	806	417,494.58	.525
1964	800	420,128.65	.553
1963	795	396,048.26	.536

Disposition of Funds

Receipts are placed in the motor carrier account of the earmarked revenue fund. Money in this account is used to pay the expenses associated with the regulation of motor carriers.

Insurance Premiums Tax

Chapter 286, Laws of 1959 imposed a tax on insurance premiums which is in lieu of all other Montana taxes with the exception of the Property Tax on real estate, improvements, and office furniture and fixtures.

Persons Subject to Tax

Every authorized insurer must pay the premiums tax. The provisions of this law do not apply to domestic farm mutual insurers, domestic benevolent societies, fraternal benefit societies, or health service corporations.

Rate and Basis of Tax

The Insurance Premiums Tax is computed on the basis of net premiums collected during the year. A tax on the gross underwriting profits from wet marine and transportation insurance is separately computed on the basis of net premiums less net losses paid.

The basic tax on each insurer is 2.75 percent of net premiums.

The additional tax on wet marine and transportation insurance is .75 percent of gross underwriting profits.

A Fire Marshall Tax of .25 percent of fire insurance premiums is also exacted.

If an insurer has at least 50 percent of its paid in capital stock invested in securities of the state of Montana, the insurer is allowed a credit for any taxes already paid to the state of Montana and its political subdivisions.

TABLE 18.18

Insurance Premiums Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Total Collections	Percent Total Taxes
1968	$3,410,455	3.25
1967	3,315,276	3.57
1966	3,067,622	3.36
1965	2,891,125	3.64
1964	2,757,824	3.63
1963	2,566,346	3.48

Disposition of Funds

The disposition of funds from this tax is treated in 11-1834, 11-1919, 11-2030, Revised Codes of Montana.

The premiums tax on fire insurance premiums are distributed to cities and towns for the benefit of the Fire Department Relief Association as follows:

1. Cities of the first and second class receive an amount equal to 10 percent of the total annual compensation paid to its firemen for services during the previous calendar year.

2. Other cities receive the portion of the tax which arises from insurance policies within their domains. In the event this amount is less than $100, the amount will be increased to $100 by use of premiums from other types of insurance.

An amount equal to that paid to the Fire Department Relief Association is paid to cities for credit to the Reserve Fund of the Police Retirement System. This amount is to be paid from the premium tax collected on motor vehicle insurance.

Five percent of the remainder is credited to an earmarked revenue fund for payment of administrative expenses claims under the Volunteer Firemen's Compensation Act.

The Fire Marshall Tax is deposited to an earmarked fund account for support.

Chain Store License Tax

The chain store tax was enacted by Chapter 163, Laws of 1939. The text of the law is found in Chapter 24, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Any store or mercantile establishment in which goods, wares, or other merchandise of any kind are sold either at retail or wholesale must pay the tax.

Rate and Basis of Tax

The rate of tax depends on the type of establishment and the number of stores in the group.

Retail Stores and Mercantile Establishments

First store	$ 6.00
Second store	51.00
Third store	101.00
Fourth store	151.00
Each additional store	201.00

Gasoline Stations, Lumber Yards, Grain Elevators, Etc.

First store	$ 6.00
Second store	8.50
Third store	16.00
Fourth store	23.50
Each additional store	38.50

Wholesale Establishments

Regardless of number	$38.50

TABLE 18.19

Chain Store License Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Total Collections	Percent Total Taxes
1968	$199,985	.191
1967	192,351	.207
1966	188,863	.207
1965	189,082	.238
1964	181,930	.240
1963	185,093	.251

Disposition of Funds

All funds in excess of the costs of administration are placed in the General Fund.

Motor Vehicle Taxes

The Motor Vehicle Registration Law was enacted by Chapter 73, Laws of 1913. That law was superseded by Chapter 75, Laws of 1917 which forms the basis for the current law. The current text is found in Title 32 and 53, Revised Codes of Montana.

Persons Subject to Tax

Every motor vehicle operated on the public highways of the state must be registered. Foreign licensed vehicles used in Montana for hire or profit must be registered. Motor vehicle dealers must be registered. Any person who has resided in Montana for a period exceeding 90 days must have a valid Montana operators license.

Rate and Basis of Tax

The fees for registration of motor vehicles are as follows:

Description	Fee
Motor vehicles weighing 2,850 pounds or under (other than motor trucks)	$ 5.00
Motor vehicles weighing over 2,850 pounds (other than motor trucks)	10.00
Electrically driven passenger vehicles	10.00
All motorcycles	2.00
Bicycles with motor attachment	1.00
Tractors and/or trucks	10.00
House Trailers	2.00
Trailers and semitrailers	
Less than 2,500 pounds maximum gross loaded weight	2.00
2,501 to 6,000 pounds maximum gross loaded weight	5.00
6,001 pounds and over maximum gross loaded weight	10.00

The fee for trailers used exclusively for the transportation of logs in the forest or oil and gas well machinery or road machinery or bridge materials is $15.

Busses are classed as motor trucks and licensed accordingly.

All rates are 25 percent higher for motor vehicles, trailers and semitrailers when not equipped with pneumatic tires.

In addition to the above amounts, the following amounts are collected for each motor truck and truck tractor according to the maximum gross loaded weight of the vehicle.

Capacity	Fee
Up to 6,000 pounds	$ 7.50
6,001 pounds or more, and less than 8,000 pounds	12.50
8,001 pounds or more, and less than 10,000 pounds	17.50
10,001 pounds or more, and less than 12,000 pounds	20.00
12,001 pounds or more, and less than 14,000 pounds	22.50
14,001 pounds or more, and less than 16,000 pounds	27.50
16,001 pounds or more, and less than 18,000 pounds	37.50
18,001 pounds or more, and less than 20,000 pounds	50.00
20,001 pounds or more, and less than 22,000 pounds	62.50
22,001 pounds or more, and less than 24,000 pounds	93.75
24,001 pounds or more, and less than 26,000 pounds	125.00
26,001 pounds or more, and less than 28,000 pounds	156.25
28,001 pounds or more, and less than 30,000 pounds	206.25
30,001 pounds or more, and less than 32,000 pounds	262.50
32,001 pounds or more, and less than 34,000 pounds	318.75
34,001 pounds or more, and less than 36,000 pounds	375.00
36,001 pounds or more, and less than 38,000 pounds	431.25
38,001 pounds or more, and less than 40,000 pounds	487.50
40,001 pounds or more, and less than 42,000 pounds	543.75

Busses are assessed for this additional tax at the rate of $7 per seat excluding the first seven and the driver's seat.

Gross vehicle weight fees for trailers and semitrailers are collected as follows:

Capacity	Fee
Up to 2,500 pounds for personal use	Exempt
Up to 2,500 pounds for commercial use	$ 3.75
2,501 pounds or more, and less than 6,000 pounds	5.00
6,001 pounds or more, and less than 8,000 pounds	15.00
8,001 pounds or more, and less than 10,000 pounds	17.50
10,001 pounds or more, and less than 12,000 pounds	20.00
12,001 pounds or more, and less than 14,000 pounds	22.50
14,001 pounds or more, and less than 16,000 pounds	27.50
16,001 pounds or more, and less than 18,000 pounds	37.50
18,001 pounds or more, and less than 20,000 pounds	50.00
20,001 pounds or more, and less than 22,000 pounds	62.50
22,001 pounds or more, and less than 24,000 pounds	93.75
24,001 pounds or more, and less than 26,000 pounds	125.00
26,001 pounds or more, and less than 28,000 pounds	156.25
28,001 pounds or more, and less than 30,000 pounds	206.25
30,001 pounds or more, and less than 32,000 pounds	262.50
32,001 pounds or more, and less than 34,000 pounds	318.75
34,001 pounds or more, and less than 36,000 pounds	375.00
36,001 pounds or more, and less than 38,000 pounds	431.25
38,001 pounds or more, and less than 40,000 pounds	487.50
40,001 pounds or more, and less than 42,000 pounds	543.75

As an alternative to determining the weight of individual pieces of a combination of truck and trailer the following fees may be paid in lieu of gross vehicle weight fees described above.

Capacity	Fee
Up to 42,000 pounds	$ 571.00
42,001 to 44,000 pounds	631.00
44,001 to 46,000 pounds	691.00
46,001 to 48,000 pounds	752.00
48,001 to 50,000 pounds	812.00
50,001 to 52,000 pounds	871.00
52,001 to 54,000 pounds	931.00
54,001 to 56,000 pounds	992.00
56,001 to 58,000 pounds	1,052.00
58,001 to 60,000 pounds	1,112.00
60,001 to 62,000 pounds	1,172.00
62,001 to 64,000 pounds	1,233.00
64,001 to 66,000 pounds	1,293.00
66,001 to 68,000 pounds	1,352.00
68,001 to 70,000 pounds	1,412.00
70,001 to 72,000 pounds	1,473.00
72,001 to 74,000 pounds	1,533.00
74,001 to 76,000 pounds	1,593.00
76,001 to 78,000 pounds	1,653.00
78,001 and over	65.50 per ton or fraction thereof

There are special provisions allowing reduced rates for farm and logging vehicles, and vehicles used for hauling heavy equipment.

Interstate fleets may be registered with payment of fees in proportion to the ratio of miles traveled in Montana to total fleet miles.

Temporary trip permits are available to itinerant foreign vehicles licensed in another jurisdiction. The fees are as follows:

For each trip of less than 200 miles	$ 5.00
For each trip of 200 to 399 miles	7.50
For each trip of 400 or more miles	10.00

These fees are charged for each truck, tractor, trailer, and semi-trailer in a combination of vehicles weighing over 6,000 pounds gross weight. Trip permits are valid for 72 hours.

Persons who transport motor vehicles by drive-away or tow-away caravan must obtain a license and pay a fee of $100.

Purchasers of new vehicles must pay a sales tax in lieu of any other assessment or taxation during the calendar year in which the original application is made. The rate is applied to f.o.b. factory or port of entry list price. Rates are 1.5 percent during the first quarter, 1.125 percent the second, .75 percent the third, and .375 percent during the fourth quarter.

Fees are charged for such services as providing duplicate certificates of ownership, duplicate number plates, and transfer of registration. These fees are generally $2.

Dealers pay a minimum fee of $30.

TABLE 18.20

Motor Vehicle Registration and G.V.W., Operator Licenses, Other Fees, Total Collections and Percent of Total Taxes 1963 to 1967

Year	Registration and G.V.W.	Operator Licenses	Other Fees*	Total Collections	Percent Total Taxes
1967	7,804,000	$739,000	2,674,000	$11,217,000	12.1
1966	7,369,000	876,000	2,644,000	10,889,000	11.9
1965	7,176,000	702,000	2,416,000	10,294,000	12.9
1964	6,903,000	838,000	2,006,000	9,747,000	12.8
1963	7,143,000	629,000	1,973,000	9,745,000	13.2

Disposition of Funds

Operators' license fees are credited to the General Fund. Registration fees are credited to the earmarked revenue fund to pay the expenses of the Registrar of Motor Vehicles. Gross Vehicle Weight fees are divided 5 percent to the collecting county and 95 percent to the State Highway Department earmarked revenue fund account.

* The new vehicle sales tax is credited to the highway department. Trip permits for itinerant vehicles are credited to the highway department.

Motor Fuels

The first Gasoline License Tax was enacted in 1921. Current statutes are contained in Chapters 18 and 63, Title 84, Revised Codes of Montana.

Persons Subject to Tax

Every importer and distributor of gasoline must obtain a license from the State Board of Equalization and pay a tax. Every user of diesel fuel or liquid petroleum gas must obtain a license and pay a tax.

Political subdivisions of Montana and off-the-road users of motor fuels are exempt from payment of the tax.

Rate and Basis of Tax

The tax on gasoline and liquid petroleum is 7 cents per gallon.

Current law allows for this to be reduced to 6 1/2 cents July 1, 1971. The tax on diesel fuel is 9 cents per gallon.

Off-the-road users of gasoline may obtain a refund permit to obtain a refund of taxes paid. The charge is $1.

Temporary trip permits are available for users of special fuel (diesel and L.P.G.) at a cost of $20.

TABLE 18.21

Gallons of Gasoline, Diesel, L.P.G., Collections and Percent of Total Taxes 1963 to 1968

Year	Gasoline	Diesel	L.P.G.	Collections After Refunds	Percent Total Taxes
	(Gallons)	(Gallons)	(Gallons)		
1968	410,597,404	41,283,269	813,669	$24,363,919	23.21%
1967	384,007,688	43,158,220	909,779	21,653,795	23.33
1966	NA	39,104,255	1,073,313	21,131,753	23.17
1965	390,716,822	36,711,630	794,818	19,984,387	25.13
1964	363,956,520	32,992,110	740,193	19,421,250	25.59
1963	367,141,132	29,798,708	873,185	19,598,157	26.54

Disposition of Funds

The tax on gasoline is deposited to the earmarked revenue fund for use of the State Highway Department. Proceeds from refund permits are placed in the General Fund.

All funds from taxes on special fuels in excess of administrative costs are deposited to the account of the State Highway Department which divides them among the counties, cities, and towns.

Beer Tax

The Montana Beer Act was enacted by Chapter 106, Laws of 1933. The current text is found in Chapter 3, Title 4, Revised Codes of Montana.

The act is administered by the Montana Liquor Control Board.

Persons Subject to Tax

Any person having a factory for making beer must pay a tax. Any wholesaler importing beer from outside Montana must pay a tax.

Rate and Basis of Tax

The tax is $3 for each barrel of beer manufactured or imported from July 1, 1969 to June 30, 1971. A barrel is 32 gallons. Prior to July 1, 1969 the rate was $1.50 per barrel. In addition there are fees for licenses as follows:

Brewer's license	$500
Wholesaler's license	400
Retailer's license	200
Veteran's clubs	50
Railway	25

TABLE 18.22

Barrels of Beer, Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Barrels	Total Collections	Percent Total Taxes
1968	488,000	$1,197,000	1.14
1967	473,000	1,156,000	1.25
1966	459,000	1,157,000	1.27
1965	455,000	1,134,000	1.43
1964	449,000	1,123,000	1.48
1963	439,000	1,115,000	1.51

Disposition of Funds

Seventy-five percent of $1.50 or 37.5 percent of the total taxes collected under the Beer Act are remitted to incorporated cities and towns on the basis of population. The remainder is deposited in the General Fund.

Liquor Tax

The State Liquor Control Act of Montana was enacted by Chapter 105, Laws of 1933. That Act contained only nominal fees for purchaser's permits. Chapter 84, Laws of 1937 imposed an Excise Tax on the sale of liquor.

The Liquor Control Act is found in Chapters 1 and 2, Title 4, Revised Codes of Montana. The Retail Liquor License Act is contained in Chapter 4 of that title.

Persons Subject to Tax

The tax must be paid on all liquor at the time of sale by the Liquor Control Board.

Rate and Basis of Tax

There is an Excise Tax of 16 percent of the retail selling price. There is also a License Tax of 4 percent of the retail selling price on all liquor sold to licensed retailers. The following annual license fees must also be paid by anyone holding a retail liquor license:

In cities of 10,000 or more or within 5 miles of such a city	$600
In cities of 5,000 to 10,000 or within 5 miles of such a city	450
In cities of 2,000 to 5,000 or within 5 miles of such a city	300
Outside of cities or in cities of less than 2,000	200
Railway systems	300

TABLE 18.23

Liquor Sales, Excise Taxes, License Taxes and Fees, Total Collections and Percent of Total Taxes 1963 to 1968

Year	Retail Sales	16 Percent Excise	4 Percent License	License Fees	Total	Percent Total Taxes
1968	$21,330	$3,413	$853	$519	$4,785	4.56%
1967	20,417	3,267	817	508	4,592	4.95
1966	19,446	3,111	778	529	4,418	4.84
1965	18,321	2,931	733	514	4,178	5.25
1964	17,432	2,789	697	515	4,001	5.27
1963	17,385	2,782	695	538	4,015	5.44

Disposition of Funds

The 16 percent Excise Tax is credited to the General Fund.

The proceeds from the 4 percent License Tax is distributed among cities, towns, and counties in the proportion of their liquor sales for use to defray the cost of enforcing the Beer and Liquor Acts. The fees for licenses based on population are deposited to the General Fund.

License fees are deposited to the General Fund.

Cigarette Tax

The Cigarette Tax was enacted by Chapter 289, Laws of 1947. The law is contained in Chapter 56, Title 84, Revised Codes of Montana.

The law is administered by the State Board of Equalization.

Persons Subject to Tax

All cigarettes sold or possessed in the state of Montana are subject to the Cigarette Tax.

Rate and Basis of Tax

The tax is 8 cents per package of 20 cigarettes. A discount of 5 percent is allowed to wholesalers or dealers on the face value of the stamps to allow for the cost of affixing them to the package.

There are also fees which must be paid to obtain a license to sell cigarettes. The fee is $15 for a distributor and $5 for a dealer.

TABLE 18.24

Packages of Cigarettes Sold, Excise Tax and License Fees Collections and Percent Total Taxes 1963 to 1968

Year	Packs Sold	Excise Tax Collections	License Fees	Percent of Total Taxes
	(000)			
1968	81,420	$6,187,966	$1,590	5.896
1967	82,393	6,261,943	1,275	6.747
1966	81,083	6,162,295	1,595	6.759
1965	83,057	6,312,334	1,875	7.940
1964	79,722	6,058,847	1,745	7.984
1963	84,282	6,405,421	1,600	8.677

Disposition of Funds

License Fees are credited to the General Fund.

Excise taxes are credited to the long-range building fund for service of the debt.

Inheritance Tax

The Inheritance Tax was enacted by Chapter 65, Laws of 1923. The current code is found in Chapter 44, Title 91, Revised Codes of Montana.

Persons Subject to Tax

A tax is imposed on every transfer of property from a Montana resident by will or by the interstate laws of the state. A tax is likewise imposed on such transfers by nonresidents of property within the state of Montana.

Any sale or transfer of a material part of an estate within three years of death without fair compensation, is deemed to be in contemplation of death and is also subject to this tax.

Rate and Basis of Tax

The amount of transfer exempt from taxation and the rate depend on the classification of the receiver in the following schedule:

Class 1:	Spouse, lineal ancestor, lineal issue, adopted children, mutually acknowledged children, and lineal issue of adopted or mutually acknowledged children.
Class 2:	Brother, sister, daughter-in-law, son-in-law.
Class 3:	Uncle, aunt, first cousin.
Class 4:	Anyone else other than those entitled to charitable exemption.

Exempt amounts: spouse - $20,000, minor lineal issue - $5,000.
other Class 1 - $2,000
Class 2 - $500
Classes 3 & 4 - no exemption.

Value of Share		Class 1 Tax on Col. 1	Class 1 Rate on Excess	Class 2 Tax on Col. 1	Class 2 Rate on Excess
$ 0	$ 25,000	$ 0	2%	$ 0	4%
25,000	50,000	500	4	1,000	8
50,000	100,000	1,500	6	3,000	12
100,000	--	4,500	8	9,000	16

Value of Share		Class 3 Tax on Col. 1	Class 3 Rate on Excess	Class 4 Tax on Col. 1	Class 4 Rate on Excess
$ 0	$ 25,000	$ 0	6%	$ 0	8%
25,000	50,000	1,500	12	2,000	16
50,000	100,000	4,500	18	6,000	24
100,000	--	13,500	24	18,000	32

In addition to the Inheritance Tax, the state imposes an Estate Tax. The Estate Tax is equal to the difference between the maximum deduction from the Federal Estate Tax and the deductions which have been taken.

TABLE 18.25

Inheritance Tax Collections and Percent of Total Taxes 1963 to 1968

Year	Collections	Percent Total Taxes
1968	$2,875,722	2.74%
1967	2,801,693	3.02
1966	2,795,281	3.07

TABLE 18.25--Continued

Inheritance Tax Collections and Percent of Total Taxes
1963 to 1968

Year	Collections	Percent Total Taxes
1965	$2,498,279	3.14%
1964	2,263,048	2.98
1963	2,074,455	2.81

Disposition of Funds

All proceeds are placed in the General Fund.

Property Tax

The property tax is the oldest source of revenue in Montana. Many of the existing provisions date back to 1891. The major provisions of the property tax are contained in Title 84, Revised Codes of Montana, 1947, although the authorizations for many of the levies are contained in other parts of the law.

Property Subject to Tax

All property in the state which the law does not specifically exempt is subject to the property tax. Property which is exempt is generally that belonging to government bodies, and that which is of a religious, educational, or civic nature.

Assessment

All taxable property must be assessed at its full cash value. Full cash value is the amount at which the property would be taken in payment of a just debt due from a solvent debtor.

Property is assessed as of the first Monday in March. There are certain exceptions to this. Motor vehicles are assessed as of the first day of January; livestock in feeding pens may be assessed according to the average number in the pens at the end of each month.

It is the duty of the State Board of Equalization to provide general and uniform methods of classifying and assessing property in the state. The Board of County Commissioners must appraise the land and improvements in each county. The county assessor must assess the property according to the classification and appraisal made by the Board of County Commissioners. The State Board of Equalization assesses the property which is of an intercounty nature, such as railroads and public utilities.

Classification

Property must be calssified by the Board of County Commissioners. The classification scheme provides that taxable value is a percentage of the assessed value. The percentage depends on the class in which the property is placed.

Class 1: The annual net proceeds of all mines and mining claims and the value of any rights of entry for the purpose of digging, exploring, or prospecting for minerals have taxable value equal to 100 percent of their assessed value.

Class 2: All household goods and furniture, motor vehicles, boats, and harness are taxable on 20 percent of assessed value.

Class 3: Livestock, poultry, and the unprocessed products of both, stocks of merchandise and all furniture and fixtures used in conjunction with stocks of merchandise, and all office or hotel furniture and fixtures are taxable on 33.33 percent of assessed value.

Class 4: All land, city and town lots, and improvements, manufacturing and mining machinery, and equipment and supplies are taxable on 30 percent of assessed value.

Class 5: All monies and credits, operating property of electric and telephone cooperatives, and unprocessed agricultural products are taxable on 7 percent of their assessed value.

Class 6: Monies, credits, moneyed capital, and bank shares are taxable in part at 7 percent of assessed value and in part at 30 percent of assessed value.

Class 7: Free port merchandise and new industrial property less than three years old are taxed on 7 percent of assessed value.

Class 8: Improvements on real property valued at not more than $15,000 which is owned and occupied by certain widows, widowers, and recipients of retirements benefits are taxable on 20 percent of assessed value.

Class 9: All property which is not in the first eight categories has a taxable value equal to 40 percent of assessed value.

Equalization

The Constitution of the state charges the State Board of Equalization with the responsibility of securing a fair, just, and equitable valuation of all taxable property among the counties and between individual taxpayers.

The efforts of the board in carrying out this mandate are seen in the differences between market value and assessed value for many types of property. For example, the assessed value of residential improvements is taken to be 40 percent of the market value. Agricultural land is assessed at 20 percent of its market value. The assessed value is then multiplied by the percentage given in the classification scheme to obtain taxable value. Hence, a house would have a taxable value equal to 12 percent of its market value while the taxable value of agricultural land would be 6 percent of market value.

Levies and Disposition of Funds

Levies may be imposed for state, county, city, or school purpose. The disposition of the funds depends on the purpose of the levy and by what level of government it is imposed.

Miscellaneous Taxes and Licenses

Abstractors of Title

Any person, firm or corporation engaging in the business of compiling abstracts of title to real estate must obtain a certificate of authority. A fee of $5 together with bond of $5,000 must accompany the application. The certificate is valid for one year. Renewal fees should be paid within thirty days of the expiration of the certificate.

Fees are payable to the Board of Abstractors Examiners for deposit to the Abstractors Board Fund.

Chapter 21, Title 66, Revised Codes of Montana, 1947.

Aeronautics

Any person operating an air school, airport, or navigation facility, or engaging in aeronautics as an airman must have a license issued by the United States Government and must register the license with the State Aeronautics Commission. The maximum annual fee is $1. Proceeds are deposited to the Aeronautics Board Fund.

Chapter 3, Title 1, R.C.M., 1947.

Apiaries

Every person who keeps bees in the state must pay an annual registration fee. The fees are determined by the number of colonies owned.

fee. The fees are determined by the number of colonies owned.

1 to 10 colonies of bees	$ 1.00
11 to 50 colonies of bees	2.50
51 to 200 colonies of bees	5.00
201 to 300 colonies of bees	7.50
301 to 400 colonies of bees	10.00
401 to 500 colonies of bees	20.00
501 and up	25.00

The fee for inspection of secondhand beekeeping equipment coming into the state is $10 for each day of inspection and $5 for the certificate of inspection. The same fees apply for inspection to raise a quarantine on an apiary.

Apiaries must be registered on or before April 1 of each year. Registration is with the state apiarist. Receipts are deposited to the general fund.

Chapter 8, Title 82, R.C.M.

Architects

Every person wishing to practice architecture in this state must apply for a certificate. Applicants for examination must pay $25 in advance to defray expenses. Any applicant failing to pass the examination may take a second examination within one year upon payment of $5 for each section of the examination. The license fee is $10 annually, payable to the state treasurer during the month of July.

Every architect, builder, contractor, or manufacturer, doing business of more than $15,000 per year must pay a license fee of $10 quarterly. Fees are credited to the Architectural Board Fund.

Chapter 1, Title 66, Chapter 32, Title 84, R.C.M.

Artificial Inseminators

Every person wishing to practice artificial insemination on animals within this state must obtain a permit. No license is required, however, for a person to practice on his own animals. The license fee is $10.00 for every applicant. The renewal fee is $2.50 annually, due by January 15. Collections are deposited to the general fund.

Chapter 25, Title 46, R.C.M.

Athletic Exhibitions

All boxing, wrestling, and sparring matches and exhibitions conducted in the state must be licensed by the State Athletic Commission.

The tax is 5 percent of the gross receipts of every contest. A $5,000 bond must be furnished to obtain the license. Payment is made to the county treasurer, forwarded to the state treasurer, and credited to the State Athletic Commission Fund.

Chapter 3, Title 82, R.C.M.

Attorneys

No person may practice law in any court except a justice's court or police court without having received a license.

Every attorney or counselor at law must pay a license tax of $10 per year.

Applicants for admission to the bar must pay a fee of $25.

All fees are placed in the general fund.

Chapter 20, Title 93, R.C.M.

Auctioneers

It is unlawful for any person, firm, association, or corporation to sell, dispose of, or offer for sale at public auction in the state of Montana any new goods, wares, or merchandise without first obtaining a license.

The applicant desiring to file an application for a license to conduct a public auction must pay the treasurer of the county in which the application is made a license fee of $50 for the first day and $25 for each additional day.

Money received is deposited to the general fund of the county. This does not apply to sale at public auction of livestock, farm machinery, or produce, or to sales for the collection of debts.

Chapter 2, Title 66, R.C.M.

Banks, Investment, and Trust Companies

Each bank, trust company, or investment company, under the supervision of the superintendent of banks, must pay an annual fee based upon its total assets as shown in the statement to the superintendent of banks on the last call report of the preceding year.

The fees are as follows: For the first $5 million of assets, a charge of 15 cents for each $1,000 is assessed. For the second $5 million, the fee is 10 cents for each $1,000. The next $10 million is assessed at the rate of 5 cents for each $1,000. For assets in excess of

$20 million but not in excess of $30 million, the rate is 3 cents. For all assets in excess of $30 million, an assessment of 2 cents per $1,000 is made. The minimum fee is $300.

Fees are collected by the state treasurer and deposited to the general fund.

Chapter 9, Title 5, R.C.M.

Barbers and Barber Shops

Every person wishing to practice as a barber must obtain a license and serve an apprenticeship.

The fee for the examination to determine fitness to receive a certificate of registration to practice barbering is $15. An additional fee of $4 is charged for the issuance of the certificate.

Students or apprentices must obtain a certificate of registration for which the fee is $4.

Each person registered as a barber or barber apprentice must pay a license fee of $4 on or before the first day of August of each year. Failure to renew a license on time, subjects the person to an extra fee of $5.

Barber shops must pay an initial inspection fee of $15 and an annual license fee of $3 for each calendar year after the first. Barber shops which allow their license to expire must pay a restoration fee of $10.

Barber schools must pay an annual license fee of $50. Failure to renew a school or college license on time requires payment of a $55 restoration fee.

Barber shop and school licenses expire on May 31 of each year.

Administration is by the Board of Barber Examiners and receipts are placed in the earmarked revenue fund to pay the expenses of the board.

Chapter 4, Title 66, R.C.M.

Bean Dealers and Warehousemen

Every person in the business of wholesaling, warehousing, and storing beans must procure a license from the Commissioner of Agriculture. Green bean dealers are exempt. The license fee if $15 annually and expires on June 30. A fee of not more than $10 per year is also levied for the inspection of warehouses. Receipts are credited to the general fund.

Chapter 7, Title 3, R.C.M.

Billiards and Bowling Alleys

Each proprietor of a billiard, pool, or bagatelle table and each proprietor of a bowling alley must procure a license. License fees are $3.70 per quarter for each table and $5.00 per quarter for each alley. These fees are payable to the county treasurer and remain at the disposal of the county.

Chapter 32, Title 84, R.C.M.

Boilers and Boiler Engineers

Every person who operates a steam boiler or steam engine must obtain a license from the boiler inspector. Owners or users of boilers must have them inspected at least once a year. New boilers and their locations must be reported to the inspector within ten days of purchase. Fees are as follows:

First class engineer examination	$30
Second class engineer examination	20
Third class engineer examination	12
Low pressure engineer examination	8
Traction engineer examination	12
Renewal annually	4
Lost certificate	2
Inspection of boiler less than 30 pounds p.s.i.	10
30 to 100 p.s.i.	15
101 to 300 p.s.i.	20
Over 300 p.s.i.	30
Miniature boilers not in excess of 65 p.s.i.	10
Steam traction	5
Operating certificate	4

These fees are credited to the Industrial Administration Fund.

Chapter 15, Chapter 17, Title 69, R.C.M.

Brands

All artificial marks and brands used to identify the ownership of animals must be registered. The fee for recording a mark or brand is $8. Brands must be rerecorded every tenth year. The fee for rerecording is $4. Fees are paid to the general recorder of marks and brands and deposited to the Livestock Commission Fund.

Chapter 6, Title 46, R.C.M.

Building and Loan Associations

Each building and loan association under the supervision of the superintendent of banks must pay a fee based on total assets.

The rates for building and loan associations are the same as those for banks except that the minimum fee is $100.

Proceeds are credited to the general fund.

Chapter 9, Title 5, R.C.M.

Candidates in Primary Elections

Candidates for nomination in primary elections must send a declaration of nomination to the secretary of state if the public office sought through election serves more than one county. Declarations must be filed in the office of the clerk and recorder for public positions sought through election by constituents contained within a local jurisdiction.

Filing fees are as follows:

A. For offices having a salary of $1,000 per year or less--$10.
B. Legislative assembly or lieutenant governor--$15.
C. Offices having a salary of more than $1,000 per year--1 percent of salary.
D. For the offices of county commissioner

counties of the first class	$40
counties of the second class	35
counties of the third class	30
counties of the fourth class	25
counties of other classes	10

E. For offices in which the compensation is paid in fees--$5.
F. State, county, and precinct comitteemen, delegates to national conventions, and presidential electors--no fee.

Chapter 33, Title 23, R.C.M.

Card Games

Places of business maintaining card tables and cards for the use of their patrons must be licensed. The annual fee is $10 per table, payable to the county treasurer. Expiration is December 31. Proceeds are placed in the county poor fund.

Chapter 24, Title 94, R.C.M.

Chiropractors

It is unlawful for a person to practice as a chiropractor without first obtaining a license.

Each applicant for a license must pay a fee of $50. Licenses expire on the first day of September in each year. Renewals are charged a fee of from $5 to $25 as set by the Board of Chiropractic Examiners.

Proceeds are placed in an earmarked fund account to pay the expenses of the Board of Chiropractic Examiners.

Chapter 5, Title 66, R.C.M.

Chiropodists

It is unlawful for a person to practice Chiropody without first obtaining a license from the State Board of Chiropody Medical Examiners.

The examination and license fee is $35. A renewal fee of $3 must be paid on or before July 1 of each year. Failure to pay the fee within three months after the date due necessitates filing a new application and paying a fee of $35.

All fees and moneys collected are credited to a special fund for the expenses of the board.

Chapter 6, Title 66, R.C.M.

City and Town Examination Fees

Cities and towns must pay an annual fee to compensate for the cost of examination by the state examiner's office.

Taxable Value	Fee
$ 50,000 or less	$ 50
50,001-100,000	65
100,001-200,000	80
200,001-400,000	105
400,001-600,000	130
600,001-800,000	160
800,001-1,000,000	200
1,000,001-1,250,000	240
1,250,001-1,500,000	320
1,500,001-2,000,000	400
2,000,001-3,000,000	480
3,000,001-4,000,000	560
4,000,001-5,000,000	640
Over $5,000,001	640 plus $50 for each million over 5

Proceeds are credited to the general fund.

Chapter 9, Title 5, R.C.M.

Consumer Loans

Anyone in the business of making loans or advances of money on credit, in amounts of $1,000 or less, and charging interest of more than 10 percent per year must obtain a license.

Each license application must be accompanied by a $50 investigation fee and a $125 license fee. The $125 license fee is payable annually on or before December 1 for the succeeding calendar year.

These provisions do not apply to banks, trust companies, savings and loan associations, credit unions, licensed pawnbrokers, or any person who extends credit in connection with the sale of a commodity.

Licenses are obtained from the Consumer Loan Commissioner and fees are deposited to the Consumer Loan Administration Fund.

Chapter 2, Title 47, R.C.M.

Cooperative Associations

A license to open books for subscription to the capital stock of a cooperative association requires payment to the secretary of state of $20.

A certificate of incorporation for a cooperative association costs $20.

Proceeds are placed in the general fund.

Chapter 2, Title 14, R.C.M.

Cooperative Marketing Associations

The fee for filing articles of incorporation for a cooperative marketing association is $40. The fee for filing an amendment to the articles of incorporation for such an organization is $10.

Proceeds are placed in the general fund.

Chapter 4, Title 14, R.C.M.

Cosmetology

It is unlawful to practice or teach cosmetology without a license.

Application to practice or teach cosmetology	$10	
Application for an apprentice license	3	
License fee for manager-operators, and teachers	5	annually
License fee for operators	3	annually
Inactive license for manager-operator or teacher	3	
Fee for new cosmetological establishment	5	
Renewal of license for cosmetological establishment	3	
Annual fee for schools of cosmetology	25	
Itinerant cosmetologist license	25	

Chapter 8, Title 66, R.C.M.

County and High School Examination Fees

Counties must pay an annual fee to compensate for the cost of examination by the state examiner's office.

Taxable Value of County	Fee
under $5 million	$100 per million or fraction thereof
$5 million-$20 million	$500 plus $75 per million over $5 million
$21 million-$40 million	$1,625 plus $50 per million over $20 million
$41 million and over	$2,625 plus $25 per million over $40 million.

County Free High School must also pay a fee for examination to the state examiner's office.

Attendance	Fee
200 or less	$ 60
201 to 300	75
301 to 400	100
401 to 600	125
601 to 1,000	150
1,001 to 1,500	200
1,501 and over	300

Proceeds are deposited to the general fund.

Chapter 9, Title 5, R.C.M.

Cream Graders, Weighers, and Samplers

No person may grade, weigh, or sample milk or cream used in the manufacture of butter, cheese, or other dairy products without obtaining a license. The annual license fee is $5 payable to the Department of Agriculture. Proceeds are placed in the general fund.

Chapter 24, Title 3, R.C.M.

Credit Unions

A fee of $15 is required for filing articles of incorporation as a credit union. Certificates of merger or dissolution costs $10.

Proceeds are placed in the general fund.

Chapter 1, Title 14, R.C.M.

Dairy Products (Wholesalers and Buying Stations)

Licenses are required for persons operating a milk or cream buying or collection station. Fees are as follows:

Less than 3,000 pounds of butterfat per month	$10
3,000 to 6,000 pounds of butterfat per month	15
Over 6,000 pounds of butterfat per month	20
Wholesale butter and cheese operation	20

These are annual fees. In determining the fees, the quantity is taken as the highest month's business during the preceding year. Licenses expire on December 31. Proceeds are deposited to the general fund.

Chapter 24, Title 3, R.C.M.

Dance Halls

Any person holding a public dance or maintaining a dance hall outside the limits of incorporated cities must obtain a license. Fees are regulated by the Board of County Commissioners except that they may not be less than $5 nor more than $25 for an annual license and not less than $1 nor more than $5 for a single dance.

Chapter 11, Title 16, R.C.M.

Dentists

Any person wishing to practice dentistry in Montana must apply to the State Board of Dental Examiners to take an examination. The examination fee is $25.

Certification as a dentist requires the payment of an additional fee of $25 upon passing the examination.

Certification by reciprocity requires that a fee of $50 be paid.

An annual license fee of $7 must be paid prior to the first day of May. Late payment accrues an additional penalty of $3.

The county clerk of each county is required to register all dentists practicing within the county. Registration fees are $1.

Dental hygienists must pay an examination fee of $10 and an annual license fee of $1.

Funds are credited to the account of the Board of Dental Examiners in the earmarked revenue fund.

Chapter 9, Title 66, R.C.M.

Detective Agencies

Every person operating a detective agency is subject to a quarterly license fee of $10. The fee is payable to the county treasurer.

Chapter 32, Title 84, R.C.M.

Drug Stores

All pharmacies and other stores where medical drugs are sold must be licensed. Pharmacists must be licensed. The following fees are payable to the Montana State Board of Pharmacy.

Pharmacists	
License by examination	$15
License by reciprocity	50
Stores	
Pharmacies	20 annually
Stores other than pharmacies selling medical drugs	5 annually

From the licensing of each pharmacist, $2 goes to the Montana State Pharmaceutical Association. Any amount in excess of $1,500 held by the State Board of Pharmacy on June 30, is deposited to the general fund.

Chapter 15, Title 66, R.C.M.

Egg Dealers and Graders

Every person engaged in the business of buying, selling, or dealing in more than 25 cases of eggs per month must obtain a license from the Commissioner of Agriculture. The license must be renewed and the following fees paid by March 31 of each year.

Retailer	$ 5
Wholesaler	50
Grader	5

Proceeds are credited to the general fund.

Chapter 23, Title 3, R.C.M.

Electricians

Any person working as an electrical contractor, journeyman electrician, or master electrician must be licensed by the State Electrical Board.

Fees are as follows:

Electrical contractors	$75
Master electrician	10
Journeyman electrician	10
Late renewal of license	5

Contractors' licenses expire on July 1 and others on July 15.

Proceeds are credited to the earmarked fund for the State Electrical Board.

Chapter 28, Title 66, R.C.M.

Employment Agencies

Persons operating an employment agency must obtain a license. The fee if $5 annually. Licenses are obtained from the county treasurer.

Chapter 14, Title 41, R.C.M.

Engineers and Land Surveyors

The registration fee for professional engineers is $20. Engineers in training must pay a fee of $10.

The registration fee for land surveryors is $10.

A fee of $30 must be paid for registration as both a professional engineer and land surveyor.

Renewal fees of $5 may be paid any time during the month of December.

Registration by reciprocity costs $10.

Proceeds are credited to the State Board of Registration for Professional Engineers and Land Surveyors.

Chapter 23, Title 66, R.C.M.

Explosives

Every person keeping or storing explosives with the exception of those manufactured in schools or colleges must pay an annual license fee. The fee is fixed by the fire marshall depending on the quantity kept. In no case, however, is the fee to be less than $5 nor more than $30. Collections are sent by the state fire marshall to the state treasurer.

Chapter 19, Title 69, R.C.M.

Farm Produce Dealers

Everyone engaged in the business of buying farm produce in carload lots for resale must obtain an annual license. The fee is $5. Regular wholesale or retail dealers rated in the commercial agencies are not affected by this law. Licenses are available from the Commissioner of Agriculture. Proceeds are deposited to the general fund.

Chapter 16, Title 3, R.C.M.

Feeds (Commercial)

Every commercial feed registered in the state is subject to a registration fee. Every person who distributes commercial feed must pay an inspection fee.

Commercial feed includes any material used as feed for animals except unground hay, whole or ground straw, stover, silage, cobs, husks, hulls, wet beet pulp, and feeds used solely for household pets.

Registration fee	$10
Annual renewal	10
Inspection fees	
$500 annual gross value and less	10
$501 to $100,000 gross value	25
Each additional $25,000 gross value	10

Licenses are obtained from the Commissioner of Agriculture and funds deposited to an earmarked revenue account for administration of the act.

Chapter 20, Title 3, R.C.M.

Ferries

Anyone operating a ferry over waters dividing two counties must obtain a license. The license tax is fixed by the board of commissioners of the county on the left bank descending the stream at not less than $3 nor more than $100 per month.

Proceeds are divided equally by the two counties.

Chapter 15, Title 32, R.C.M.

Fertilizers

Each brand and grade of commercial fertilizer must be registered with the Commissioner of Agriculture. The following application fees must be paid.

Each brand (guaranteeing plant nutrients and	$35
Each grade claiming value as a fertilizer)	10
Each fertilizer making no claim	5

Receipts are credited to an earmarked revenue fund for administration of the act.

Chapter 17, Title 3, R.C.M.

Food Stores and Restaurants

Every food store must be licensed. The license fee is $5 annually, payable on or before June 30 of each year.

Credits are to the Board of Food Distributors' earmarked revenue account.

Chapter 3, Title 27, R.C.M.

Funeral Directors and Morticians

Funeral directors must hold a funeral director's or mortician's license. Those practicing embalming or mortuary science must hold a valid mortician's license. The following fees are payable to the State Board of Morticians.

Funeral director's annual fee	$ 5
Mortician's examination	25
Intern mortician's license	3
Mortician's annual license fee	10
Inspection fee	25

Funds are deposited in an earmarked revenue account for the Board of Morticians.

Chapter 27, Title 66, R.C.M.

Fur Dealers

Any person, firm, or company engaged in buying, selling, or trading the pelts of any animal designated by the laws of Montana as fur bearing or predatory must secure a fur dealer's license. The following fees are payable on or before April 30 of each year.

Resident fur dealer	$10
Nonresident fur dealer	50
Fur dealer's agent	10

Licenses are available from the state fish and game warden.

Chapter 13, Title 26, R.C.M.

Garbage Dealers

Any person or organization engaged in handling, preparing, cooking, or otherwise treating garbage to feed to swine or other animals must obtain a license. One license issued to the corporation, or individual responsible for a garbage-feeding enterprise covers all personnel concerned with the enterprise. The fee is $5 annually, payable on or before December 31 of each year.

This act is administered by the Livestock Sanitary Board and fees credited to the general fund.

Chapter 26, Title 46, R.C.M.

Geophysical Exploration

A person, firm, or corporation operating within the state of Montana for the purpose of geophysical exploration, utilizing a seismograph and explosives must obtain a permit. The permit costs $5 per calendar year and is procured from the county clerk. Proceeds are retained by the county.

Chapter 33, Title 69, R.C.M.

Grain Dealers and Warehousemen

Each person, firm, corporation, or association of persons owning, controlling, or operating any public warehouse and every track buyer, grain dealer, broker, or commission man, dealing in grain, must obtain a license. The following persons are exempt: public warehousemen delivering grain previously stored with them; producers delivering their own grain; producers buying and hauling grain for their own use or the use of their neighbors; operators of feed lots buying and hauling grain for use on their own lots.

A license fee of $15 per year for each warehouse, elevator, or truck is payable to the state treasurer on or before July 1 of each year. The following inspection fees are also charged by the Department of Agriculture.

Official inspection--bulk, car, or truck (except mustard)	$3.10
Official inspection--gondola or hopper car	5.10
Official inspection--uneven loads--each grade	3.10
Submitted sample inspection	1.85
Protein tests	1.50
Sampling only--bulk car or truck	1.50
Sampling only--gondola	2.50
Moisture tests--grail (motomco)	.50
Moisture tests--mustard, feed, or flour	1.75
Protein test--feed and barley	2.00
Official inspection--mustard--bulk car or truck	3.25
Submitted sample inspection--mustard	1.75
Malting barley analysis	1.50
Certification of a factor that does not affect grade	.50
Contamination report	.50
Copies of certificates--grade and weight	.50
Copies of certificates--protein	.25

Sedimentation test	3.00
Weighing--per car	3.00
Weighing--rate per hour	2.50

Five percent of the fees are credited to the general fund and the remainder to an earmarked revenue account to pay expenses.

Chapter 2, Title 3, R.C.M.

Hide Dealers

Every hide dealer must obtain a license. The fee is $5 per year and must be renewed on January 1. Collections are placed in the Livestock Commission Fund.

Chapter 11, Title 46, R.C.M.

Hoisting Engine Operators

Any person operating any hoisting engine or air compressor must obtain a license. Licenses are obtained from the state boiler inspector. Fees are the same as those for boiler engineers.

Chapter 16, Title 69, R.C.M.

Horse Owners, Trainers, and Jockeys

Any horse owner, trainer, or jockey must obtain a permit to participate in any race meet in Montana. The fee is not to exceed $10 per year. The licensee must pay 1 percent of all gross receipts of each day's parimutual betting to the Racing Commission within five days after the money is received.

Money received may be used by the commission for expenses incurred.

Chapter 5, Title 62, R.C.M.

Hotels, Motels, and Tourist Homes

Every person operating a hotel, motel, or tourist home must obtain a license. A separate license is required for each establishment. The annual license fee of $5 is payable to the State Department of Health on December 31 of each year.

Chapter 18, Laws of 1967.

Hucksters

Any person in the business of buying farm products and selling them at retail by going from house to house must obtain a license. The $15 fee for a six-month license is payable to the county treasurer.

Chapter 29, Title 84, R.C.M.

Insurance Agents and Solicitors

Every person must procure a license before purporting to be an insurance agent or solicitor. No person may deal in any type of insurance other than that for which he is licensed.

Certain individuals are exempt when their compensation is not on a commission basis. These include clerical and stenographic assistants, those taking applications for insurance in the office of an agent; salaried representatives of reciprocal or mutual insurers; and persons enrolling individuals in existing group insurance contracts.

The annual license fee of $5 is due on or before May 1 of each year. Fees collected by the state insurance commissioner are deposited in the general fund.

Chapter 27, Chapter 33, Title 40, R.C.M.

Investment Company Registration

It is unlawful for any person to transact business in this state as a broker-dealer or salesman except in certain exempt transactions (15-2014) unless he is registered or his only clients are investment companies or insurance companies.

It is unlawful to offer to sell any security in this state except those exempt under 15-2013 or 15-2014 unless the security is registered.

The fee for registration of securities is $100 plus .05 percent of the excess of the offering price over $100,000. The maximum fee, however, is $1,000. For each subsequent year of registration the fee must also be paid. If an application for registration is denied, the Commissioner of Investment retains a fee of $50.

Registration of a broker-dealer or investment advisor costs $100 for the original registration and for each annual renewal. When an application is denied or withdrawn, the investment commissioner retains one-half the application fee.

Registration of a salesman costs $10. Each annual renewal requires a $10 fee. When an application is denied or withdrawn, one-half of the fee is retained.

Proceeds are credited to the general fund.

Chapter 20, Title 15, R.C.M.

Irrigation District Examination Fees

Irrigation districts must pay a fee for examination by the State Board of Examiners. The fee is $60.00 per day or $7.50 per hour.

Proceeds are credited to the general fund.

Chapter 9, Title 5, R.C.M.

Insurance Rating Bureaus

A rating organization may be licensed in lieu of all other fees, licenses, or taxes to which the organization might otherwise be subject. The fee is $25 for a three-year license, payable to the insurance commissioner.

Chapter 36, Title 40, R.C.M.

Insurance Agents (Surplus Line)

Any insurance company acting as agent for a foreign company not authorized to transact business in this state must obtain a license. The license fee is $25 annually and expires on April 1.

Fees collected by the insurance commissioner are deposited to the general fund.

Chapter 27, Chapter 34, Title 40, R.C.M.

Itinerant Merchants

Any person who buys or sells produce which he transports by motor vehicle must obtain a license from the Commissioner of Agriculture. This does not apply to a licensed produce wholesaler or a person using a motor vehicle to transport his own produce within 150 miles of his residence. The license fee is $100 for each motor vehicle for each calendar year.

Receipts are placed in an earmarked revenue fund.

Chapter 30, Title 84, R.C.M.

Itinerant Vendors

Every person engaged in the business of retailing by going from consumer to consumer must obtain a license. The license fee of $15 per year is retained by the county.

Chapter 31, Title 84, R.C.M.

Junkyards

Every person who operates a junkyard or who allows a junkyard on premises owned or controlled by him must obtain a license from the state highway commission. The fee is $25 per year.

Chapter 285, Laws of 1967.

Laundries

Every person engaged in a laundry business, other than a steam laundry business, must pay a separate license fee for each place of business. The fee of $10 per quarter is retained by the county.

Chapter 32, Title 84, R.C.M.

Livestock Inspection

Any person moving livestock from one county to another must have it inspected by a state stock inspector.

The fees are as follows:

Inspection prior to removal from county:	
12 head or less	$ .25 per head
13 to 30 head	3.00
Over 30 head	.10 per head
Issuance of a market consignment permit or transportation permit:	
12 head or less	.25 per permit
13 to 30 head	.50 per permit
Over 30 head	1.00 per permit
Inspecting livestock before sale at public markets:	
Animals originating in county of market	.20 per head
Animals inspected before removal from county	.10 per head
Inspection prior to removal from public market	.10 per head

This does not affect animals which are moved from county to county without leaving the land of the owner or animals in the custody of a carrier in interstate commerce.

Fees are to be credited to the Livestock Commission Fund.

Chapter 8, Title 46, R.C.M.

Livestock Markets

Every person operating a livestock market must pay an annual license fee. The license tax is $100 per year which is credited to the Livestock Commission Fund.

Chapter 9, Title 46, R.C.M.

Malt Manufacturers

Every manufacturer of malt must obtain a license. The fee is $100 per year. This does not apply to persons manufacturing malt liquors.

Proceeds go to the county.

Chapter 32, Title 84, R.C.M.

Manufacturers and Distributors of Dairy Products

Manufacturers and distributors of dairy products must pay the following license fees:

Dairies	
Less than 20 cows	$ 1.00
More than 20 cows	2.50
Condensed, evaporated, or powdered milk plants	
Less than 500,000 pounds annual output	5.00
More than 500,000 pounds annual output	25.00
Milk Plants	5.00
Creameries and cheese factories	
100,000 pounds or less annual output	20.00
Each additional 100,000 pounds of output	5.00
Ice cream factories	
1,000 gallons or less annual output	10.00
1,000 to 10,000 gallons	20.00
Each additional 10,000 gallons	5.00

Dairy and milk plant licenses are payable to the Livestock Sanitary Board. Creamery, butter, and cheese factories pay their license fees to the Department of Agriculture for deposit to the general fund.

Chapter 24, Title 3, Chapter 2, Title 26, R.C.M.

Manufacturers of Nonintoxicating Beverages

Every manufacturer of nonintoxicating beverages, pop, soda water, or other light drinks must obtain a license. The license fee is dependent on the size of the town in which the manufacturer is located.

Less than 5,000	$25
5,000 to 10,000	40
Over 10,000	60

These fees are payable semiannually. Proceeds go to the county.

Chapter 32, Title 84, R.C.M.

Manufacturers and Purveyors of Food and Drink

Every person offering the services of a food manufacturer, meat market, or food service establishment must obtain a license from the State Board of Health. The license costs $5 and expires on December 31 of each year.

Chapter 17, Laws of 1967.

Markets (County)

Every producer making use of the county market place must pay a fee for the privilege. The fee of 5 percent of the gross sales of every seller are placed in the county treasury.

Chapter 11, Title 16, R.C.M.

Masseurs and Masseuses

Every person operating as a masseur or a masseuse must obtain a license. The original license fee is $35. Renewal fees are determined by the State Board of Massage Examiners and must be not less than $10 nor more than $25. Licenses expire on December 31 of each year.

Chapter 302, Laws of 1967.

Meat (Slaughter Houses, Butchers, Peddlers)

Anyone operating a slaughter house, meat packing house, or meat depot and all butchers and meat peddlers must secure a license. The annual license fees are as follows:

Slaughter house	$ 1
Packing house	1
Depot	1
Butcher	5 for each market
Peddler	100

Fees for slaughter houses, packing houses, and depots are paid into the general fund of the state while those from butchers and peddlers go to the county in which they are issued.

Chapter 2, Chapter 5, Title 46, R.C.M.

Merchants (Transient Retail)

Anyone who brings any article of trade into temporary premises in any county of the state for the purpose of selling merchandise must obtain a transient merchant's license. "Temporary Premises" includes any hotel, rooming house, store room, tent, vacant lot, railroad car, automobile, truck, trailer, or any public or quasi-public place. The license fee is $5 per week or fraction of a week, payable in advance to the county treasurer.

Chapter 37, Title 84, R.C.M.

Milk Dealers

Every producer, producer-distributor, or distributor of milk must obtain a license to produce, transport, process, store, handle, distribute, buy, or sell milk. The rates are set by the Milk Control Board before April 1 of each year. Fees are payable quarterly to the Milk Control Board on the 15th day of the month following the preceding quarter.

Fees are $2 per year plus the following:

Producer-distributor	5 cents per hundredweight on the total volume of milk
Producer	2.5 cents per hundred weight on total volume
Distributor	2.5 cents per hundred weight on total volume

These rates are maximums within which the board must set the actual rates.

Fees are deposited by the board to the credit of the general fund.

Chapter 4, Title 27, R.C.M.

Milk Testers

Any person who operates the Babcock Test must pass an examination and pay a license fee. The fees are $2 for an original license and $1 for a renewal. These are payable to the Department of Agriculture on or before December 31 of each year.

Chapter 24, Title 3, R.C.M.

Motorboats

Every vessel propelled on the waters of the state by machinery of more than ten horsepower must be licensed. Applications for licenses must be accompanied by a fee of $3.

Certificates of number expire within three years. The Fish and Game Commission notifies the owner of each boat of impending expiration. Certificates may then be renewed in the same manner as they are originally obtained.

Chapter 35, Title 69, R.C.M.

Motor Club Service

Any company or agent issuing a service contract to persons owning or operating motor vehicles must obtain a license. The fee for the license is $100 annually. This fee is prorated over the remaining portion of the calendar year in the case of new applications.

The act is administered by the Commissioner of Insurance.

Chapter 11, Title 66, R.C.M.

Mustard Seed

Anyone engaged in the business of contracting for the purchase of mustard seed in advance of harvesting the crop must obtain a license. The annual license fee of $10 is payable on or before March 1 of each year.

The Commissioner of Agriculture collects the fees and deposits them for credit to the general fund.

Chapter 19, Title 3, R.C.M.

Notary Publics

Each notary public must furnish an official bond for $1,000 which is approved by the secretary of state. Upon approval of the bond and the filing of the official oath with the secretary of state, the governor issues a commission. For each certificate of official character issued, the secretary of state receives a fee of $2.

Proceeds are placed in the general fund.

Chapter 1, Title 56, R.C.M.

Nursery Stock

Anyone selling, importing, or distributing nursery stock must obtain a license. All nursery stock must be inspected before sale or delivery.

The following fees are charged:

General nursery	$15
Small fruits, ornamental shrubs, bulbs, and perennials	10
Bulbs and perennials	5
Seasonal nurseryman	15

These license fees are payable to the commissioner of agriculture on or before July 1 of each year.

Chapter 12, Title 3, R.C.M.

Nurses

Any person wishing to practice as a professional nurse must obtain a license. An applicant for a license to practice nursing must pay a fee of $25 and take an examination. Persons licensed to practice nursing in another state may obtain a license by reciprocity for a fee of $25.

An applicant to practice as a licensed practical nurse must pay a fee of $25. The license must be renewed before January 1 of each year. A renewal costs $5.

All proceeds are credited to the state board of nursing account in the earmarked revenue fund.

Chapter 12, Title 66, R.C.M.

Oleomargarine

Anyone manufacturing or selling oleomargarine at wholesale must obtain a license from the Department of Agriculture. A separate license is required for each place of business.

The fees are as follows:

Wholesaler's license		$20	
Manufacturer's license			
	first year	20	
	subsequent years	20	first 100,000 pounds
		5	for each additional 100,000 pounds

Chapter 5, Title 27, R.C.M.

Optometrists

Any person wishing to practice optometry in the state of Montana must obtain a certificate of registration.

A fee of $25 must be paid with the application for examination. An additional fee of $10 must be paid upon issuance of the certificate.

The license must be renewed annually on or before July 2 of each year. Renewals cost $20. If a person does not renew his license within 90 days of the due date, a penalty of $25 is required to restore the license.

License holders must register with the county clerk of the county in which they reside. The fee for this is $1 and accrues to the county.

Fees for licensing by reciprocity are identical to those for ordinary licensing.

Fees are deposited to the credit of the State Board of Examiners in Optometry for expenses of administering the law.

Chapter 13, Title 66, R.C.M.

Osteopaths

It is unlawful for any person to practice osteopathy in Montana without first obtaining a license from the Board of Osteopathic Examiners.

There is no charge for examination and the original license. Renewals cost $2 which must be paid on or before the first day of April of each year.

Licenses must be registered with the county clerk.

Fees for licenses are credited to the account of the Board of Osteopathic Examiners.

Chapter 14, Title 66, R.C.M.

Pawnbrokers and Junk Dealers

Anyone receiving goods pawned at a rate of interest higher than 10 percent must first obtain a license. The fee for a pawnbroker's license is $55 per quarter, payable to the county treasurer.

Chapter 16, Title 66, Chapter 32, Title 84, R.C.M.

Dealers in Petroleum and Liquefied Petroleum

Anyone in the business of delivering, distributing, selling, refining, or manufacturing any gasoline, kerosine, distillate, road oil, lubricating oil, or grease, any oil or gas product, or any petroleum product composed predominately of propane, propylene, butane, or butylene must obtain a license.

The following license fees are annual and expire on December 31:

Each place of business	$ 2
Pump or fuel oil pump measuring device	2
Vehicle tank meters and bulk meters of 2½ inches and less	6
Meters for more than one fluid of 2½ inches and less	10
Bulk meters over 2½ inches	10
Meters for more than one fluid of more than 2½ inches	15
Liquefied petroleum meters	15
Vehicle tank fees	
200 gallons or less	8
201 to 300 gallons	10
301 to 500 gallons	12
501 to 1,000 gallons	16
1,001 to 2,000 gallons	20
Each 1,000 gallons in excess of 2,000	4

The law is administered by the State Sealer of Weights and Measures.

Chapter 2, Title 60, R.C.M.

Plumbers

Any person desiring to work as a plumber must apply to the State Board of Plumbing Examiners for a license. The following fees are charged and placed in an earmarked fund:

Master plumber--initial license	$50
Journeyman plumber--initial license	25
Master plumber--annual renewal	25
Journeyman plumber--annual renewal	10

Chapter 24, Title 66, R.C.M.

Physical Therapists

It is unlawful to practice physical therapy without first obtaining a license.

Applicants for examination must pay a fee of $25. Annual renewals cost $2.

Persons temporarily in the state who meet the necessary qualifications may be granted a temporary license for a fee of $10. Temporary licenses are good for one year.

Licenses may be obtained by reciprocity without examination for a fee of $25.

Proceeds are deopsited to the account of the Board of Medical Examiners.

Chapter 25, Title 66, R.C.M.

Physicians

Persons wishing to practice medicine must be licensed.

Candidates for examination must pay a fee of $75. Every licensed physician must pay an annual license fee of $10.

All proceeds are placed in the Board of Medical Examiners Fund.

Chapter 10, Title 66, R.C.M.

Poultry

All hatchers, baby chick and poultry dealers, and hatching egg producers must pay an annual license fee to the Commissioner of Agriculture. The rates are as follows:

Up to 200 hens	$ 1.00
201 to 400 hens	2.50
401 to 800 hens	5.00
801 to 1,250 hens	7.50
Over 1,250 hens	10.00

Chapter 22, Title 3, R.C.M.

Produce Wholesalers

Any wholesaler dealing in products of the farm, orchard, vineyard, garden, or apiary must obtain a license. Farmers selling their own produce and dealers in hay, grains, dairy products, livestock, poultry and poultry products are exempt. The license fee is $100 per year and a separate license is required for each place of business. If the place of business consists of a truck, the fee is $100 for the first truck and $50 for each additional one.

Fees are placed in the revolving fund of the division of horticulture.

Chapter 34, Title 84, R.C.M.

Public Accountants

No person may represent himself as being a "certified" public accountant without being granted a license.

An application for examination must be accompanied by a fee of $30. Repeating portions of the exam costs $5 for each section repeated.

Renewals are due on or before December 31 of each year and cost $5.

All funds received are paid into the Board of Accountancy Fund. The board is appointed by the State Board of Education.

Chapter 18, Title 66, R.C.M.

Public Contractors

Anyone who enters into a contract with the state of Montana, any county, city or town, or any commission, agency, or public board authorized to award contracts for the construction or reconstruction of any public work valued at a price in excess of $1,000 must obtain a license. Subcontractors engaged in such work must also obtain a license.

Licenses are divided into three classes depending on the size of projects which the contractor is authorized to undertake.

Class A--projects of any size	$200
Class B--up to $50,000	100
Class C--up to $25,000	10

Renewals cost 50 percent of the original license fees shown. The licenses are administered by the State Board of Equalization.

In addition to the fees enumerated above, each public contractor must pay to the state an additional license fee equal to 1 percent of the gross receipts from public contracts.

The authorizing commission, agency, or governmental body is to withhold 1 percent of the amount due to the contractor and foreward this money to the State Board of Equalization. If an insufficient amount is withheld, the contractor must pay the difference to the Board of Equalization within thirty days after he receives the payment for which the additional amount is due.

The gross receipts portion of the contractors' tax is credited against corporate income tax.

Personal property taxes paid on any personal property of the contractor used in the business may be credited against the amount owed under the public contractors' tax.

Funds in excess of expenses incurred are deposited in the general fund.

Chapter 35, Title 84, R.C.M.

Real Estate Brokers

Every person acting in the capacity of a real estate broker or salesman must obtain a license. The following fees are payable to the State Real Estate Commissioner before issuance of the license and upon renewal during the month of December each year.

Resident broker's license	$50
Nonresident broker's license	50
Salesman's license	25
Additional office	25
Change of address or employer	25
Duplicate of lost license	10

These fees are deposited to the general fund.

Chapter 19, Title 66, R.C.M.

Refrigerated Lockers (Frozen Food Plants)

Every person in the business of owning, operating, or offering the services of a frozen food processing plant must obtain a license. The annual license fee is $5. Licenses expire on December 31 of each year.

Chapter 17, Laws of 1967.

Refuse Disposal Areas

Every person operating a refuse disposal area other than a city, town, or county must obtain a license from the local board of health. The license costs $25 and expires one year from the date of issue.

Proceeds go to the county.

Chapter 40, Title 69, R.C.M.

Rendering or Disposal Plants

Any rendering or disposal plant operated for the disposal of animal bodies or fowl in any manner other than for human consumption must be licensed. The fee is $5 and the license expires on December 31 of each year.

Fees are collected by the Livestock Sanitary Board and deposited to the general fund.

Chapter 24, Title 46, R.C.M.

Retail Installment Selling and Financing

Anyone operating as a sales finance company except banks, trust companies, and savings and loan associations must obtain a license. The license fee is $100 for each place of business and must be paid for each calendar year or fraction thereof.

Chapter 6, Title 74, R.C.M.

Rural Electric and Telephone Cooperatives

Persons wishing to incorporate a rural electric or telephone cooperative must pay a fee of $40 for filing articles of incorporation and receiving a certificate of authority. A $10 fee is charged for amending the articles of incorporation, filing articles of merger or consolidation, or a certificate of dissolution.

Proceeds are placed in the general fund.

Chapter 5, Title 14, R.C.M.

Sawmills (Portable)

Anyone operating a sawmill with a rated capacity of less than 5,000 feet per hour on forest lands must obtain a license. The license fee is $2 for as long as the sawmill remains in a single location. Licenses are available from the state forester. Fees are deposited to the credit of the cooperative forest management account.

Chapter 15, Title 81, R.C.M.

Scale Inspection

Anyone who buys or sells by weight or measure must have his scales or measurers adjusted and sealed at least once a year. The inspection fees are as follows:

Railroad track scale	$15.00
Grain shipping hopper scale (over 40,000 pounds capacity)	25.00
Automatic or hopper shipping scale (not more than 10 ton capacity)	8.00
Wagon, truck, coal, dump, beet, and stock scale (not over 10 tons)	10.00
Above scale (10 to 20 ton capacity)	12.00
Two section (20 tons or over)	20.00
Three or more section (20 tons or over)	25.00
Dormat platform scale, meat track scale, and dial scale (500 to 1,000 pounds)	2.00
Portable scale, hanging scale, and commercial person weighing scale	2.00

Built-in warehouse scale (3,500 to 10,000 pounds capacity)	$ 5.00
Grain testers	.50
Counter scales (1 to 10 pounds)	.50
Counter scales (over 10 pound capacity)	1.25
Petroleum pumps (filling stations)	1.00
Vehicle tank meters and bulk meters (2.5 inches)	5.00
Petroleum bulk meters (over 2.5 inches)	8.00

Chapter 1, Title 90, Chapter 2, Title 3, R.C.M.

School Teachers

Each applicant for the issuance, renewal, or extension of a certificate to teach must pay a fee of $2 for each year that the certificate is in force. The fee is paid to the State Superintendent of Public Instruction.

The state auditor credits all fees to the division of certification of the State Department of Public Instruction.

Chapter 25, Title 75, R.C.M.

Shooting Galleries

Anyone who keeps a shooting gallery must obtain a license and pay a fee of $15 per quarter to the county in which it is located.

Chapter 32, Title 84, R.C.M.

Shooting Preserves

Every person owning and operating a private shooting preserve for hunting game must obtain a license from the Montana Fish and Game Commission. The license fee is $50 per year for the first 160 acres and $20 per year for each additional 160 acres or fraction thereof.

Chapter 16, Title 26, R.C.M.

Skating Rinks or Merry-go-rounds

Anyone who keeps a roller skating or ice skating rink or merry-go-round must obtain a license. The license fee is dependent on the population of the town in which the facility is located.

Less than 1,000	$ 5.00
1,000 to 3,000	10.00
Over 3,000	15.00

Proceeds accrue to the county.

Chapter 32, Title 84, R.C.M.

Taxidermists

Any person who conducts a business mounting, preserving, or preparing the dead bodies of birds, animals, or parts of them must obtain a taxidermist license from the fish and game director. The annual fee is $15.

Chapter 9, Title 26, R.C.M.

Textbook Publishers

Any person, company, or corporation offering textbooks to school districts for adoption, sale, or exchange must obtain a license. A fee of $1 is required for each book listed. If several books are presented in a series for one grade, the maximum fee is not more than $3.

Chapter 35, Title 73, R.C.M.

Theaters, Circuses, and Menageries

The manager of every theater, circus, and menagerie must be licensed. This does not include motion picture theaters. The fee for every theater except a variety or concert theater is $100 per year. Variety or concert theaters pay a monthly fee of $75. In towns of 3,500 or less where no monthly license is paid, the fee is $2 for each performance. The fee here is $3 for each performance of an opera or concert singer. The fee is $5 for minstrels, legerdemain, or shows not provided for here in a theater paying the annual tax.

The fees for traveling shows exhibiting in tents, open air, or other than a regular theater depend on the size and the means of transportation.

Shows traveling in less than 25 railroad cars	$ 75 per day
Shows traveling in more than 25 railroad cars	200 per day
Shows traveling in 10 or less trucks	25 per day
Shows traveling in 11 to 25 trucks	50 per day
Shows traveling in more than 25 trucks	75 per day

Chapter 32, Title 84, R.C.M.

Tourist Camps

Every person, firm, or corporation conducting a tourist campground must be licensed. The fee is $2 for the calendar year and is collected by the State Board of Health and deposited to the general fund.

Chapter 1, Title 69, R.C.M.

Veterinarians

No person may practice veterinary medicine without obtaining a license from the State Board of Veterinary Medical Examiners.

Every person applying for a license must pay an examination fee of $25.

On or before July 1 of each year licenses must be renewed for a fee of $10.

Proceeds are credited to the account of the board.

Chapter 22, Title 66, R.C.M.

Wage Brokers

Anyone conducting the business of wage broker must obtain a license. The amount of the license fee is determined by the city council or board of trustees of the place where the business is carried on.

Chapter 15, Title 41, R.C.M.

Warehousemen (Agricultural Seeds)

Anyone operating a warehouse or storage facility receiving agricultural seeds for storage at the request of the public, and every seed buyer, agent, broker, or commission man merchandising uncleaned agricultural seeds must pay a license fee of $15 annually. The fee is due on or before July 1.

Chapter 3, Title 3, R.C.M.

Warehousemen (Railway)

Every railway company acting in the capacity of a warehouse must obtain a license. The license fee is $10 per quarter payable to each county in which the business is conducted.

Chapter 32, Title 84, R.C.M.

Water Well Contractors

Every person engaging in the business of drilling one or more wells for underground water must obtain a license. The application fee is $100 and the renewal fee is $25 annually. The fee is payable to the Water Well Contractors Board prior to July 1 and deposited to the credit to the board.

Chapter 26, Title 66, R.C.M.

Weather Modification and Control

Every person engaging in weather modification and control activities must obtain a license and a permit from the State Water Conservation Board. Licenses are issued for the calendar year or the remaining portion of it. The fee is $100.

A separate permit must be obtained for each operation. An operation consists of the performance of activities for the purpose of producing a certain effect within one geographical area over one time interval of a year or less. The permit fee is 1 percent of the estimated cost of the operation.

Certain research activities, activities which modify the weather only as a side effect, or emergency procedures are not subject to these provisions.

Chapter 3, Title 89, R.C.M.

Wheat Sold Commercially

A voluntary assessment of 2.5 mills is levied on each bushel of wheat grown in the state and sold through commercial channels. This tax is used to pay for the costs of research into all phases of wheat culture, production, marketing, and use.

Chapter 29, Title 3, R.C.M.

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